

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 165 Number 4590

New York, N. Y., Thursday, May 1, 1947

Price 30 Cents a Copy

## Does a Sterling Crisis Impend?

By PAUL EINZIG

Dr. Einzig calls attention to approaching exhaustion of proceeds of American loan to Britain and prospects of application for a second sizable loan. Discusses drains on Britain's dollar resources and concludes it is doubtful whether Britain can maintain convertibility of sterling as required under Anglo-American Loan Agreement.

LONDON—Political circles here are discussing the possibility of a second dollar loan to Britain in the not too distant future. The origin of this speculation lies in the growing fears that the proceeds of last year's loan are likely to be exhausted before very long. The adverse effect of the fuel crisis on the trade balance caused by the depletion of the Chancellor of the Exchequer's estimate of this year's deficit at \$1,600,000,000 was over-optimistic. Even though the acute fuel crisis is gradually subsiding, there is a growing pessimism about the effect on fuel output of the five-day week and of the dis-



Dr. Paul Einzig

(Continued on page 16)

## Is the Money Supply Too Large?

By HOWARD R. BOWEN\*

Economist, Irving Trust Company, New York

Dr. Bowen doubts present money supply is too large on ground that present ratio of money to national income shows continuation of a normal trend dating back several decades. Also doubts validity of quantity theory of money and holds public has greater need and use for circulating medium than in past. Sees no inflationary danger in present money supply and cautions against severe contraction of credit.

In all modern countries, bank deposits are the principal form of money. These deposits are created when banks increase the amount



Howard R. Bowen

of their loans and investments outstanding and they are destroyed when banks decrease the amount of their loans and investments. Therefore, the operations of the banking system largely determine the supply of money.

During the recent war, the amount of bank deposits (or money) increased rapidly. This expansion in money supply resulted chiefly from the sale of amounts of government securities to the commercial banks. This increase in money supply is shown in Chart 2. In 1939, before the war, the total of bank deposits and currency in circulation was about \$50 billions. In 1946, this total was over \$170 billions, or nearly three times as large.

It is widely believed today that

\*Address by Dr. Bowen before 35th Annual Meeting of the U. S. Chamber of Commerce, Washington, D. C., April 30, 1947.

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## A Program for Debt Management

By W. RANDOLPH BURGESS\*

Vice-Chairman, National City Bank, New York  
Ex-President, American Bankers Association

Mr. Burgess outlines as essential to proper debt management: (1) reduction of Federal budget and gradual redemption of debt; (2) distribution of holdings of debt more widely among investors, so as to reduce inflationary money supply; and (3) tax reductions, interest rates decontrol, and improvement of quality of government so as to preserve and increase energy of our economic life.

There are two aspects to the problem of debt management. One of these is the problem of dealing with the debt itself and its financial



W. R. Burgess

phases. The other, and even more important, is to take every possible step to assure dynamic, vigorous, and stable economic life. Even though we are technically wise in handling the debt, it will be futile unless the country is strong and has a large national income with which to pay the service of the

## The Case for Scientific Stock Market Analysis

By NICHOLAS MOLODOVSKY

White, Weld &amp; Co.

(Author of "New Tools for Stock Market Analysis")

Economist points out limitations appraising stock prices on basis of either intrinsic value of particular securities or underlying economic conditions. Emphasizes advantages of "direct" analysis of market's internal structure, as evidenced by differential relations of prices and volumes, as essential to sound investment policy.

From the days of my childhood an anecdote comes back to my mind. I ran across it when reading the life of Krylov, the great

Russian fabulist, poet and successor of La Fontaine and Aesop. As his fame began to spread, he was invited one evening to dinner at the palace of a Grand Duchess. During the meal a discussion arose among the guests about a vital



Nicholas Molodovsky

problem of the day. The opinions expressed were widely divergent. Perplexed, the Grand Duchess turned to Krylov and asked him how an identical fact could impress people in so many different ways. "Your Highness," replied the poet, "look at that magnificent chandelier whose

Pictures taken at 11th Annual Dinner of Security Traders Association of New York appear on pages 29, 30, 31 and 32.

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## Menace of Rising Federal Expenditures

By FRED R. FAIRCHILD\*

Professor of Political Economy, Yale University

Prof. Fairchild, holding benefits of heavy government spending are illusions, attacks theory deficit financing can stabilize national economy. Holds 1948 Federal Budget is excessive and contends it could be held down to \$25 billions. Points out sources of Government wastes and concludes a new crisis in Government finance is threatening unless effective steps are taken to produce greater order, economy, and efficiency in Federal Government.

My subject is "Control of Federal Expenditures." I am sure that your program committee would not have invited me to address you and that you would not have assembled here this morning in such goodly numbers if you had not believed that government spend-



Fred R. Fairchild

ing presents a major problem. And I can assure you that I would never have directed so much of my own time and thought to this matter if I had not been fully aware of the menace of swollen government spending.

But why shouldn't the government spend a lot of money? Why worry as the level of government spending rises and the share of the national income taken and spent by government goes on increasing? We have all heard of the many and glamorous blessings alleged to flow out of the spending of government money, from more generous provision of the necessities and comforts of life to increased purchasing power, more employment of labor, and official control of the business cycle. Why try to control the source of such blessings as these?

Before we settle down to our

\*An address by Dr. Fairchild at 35th Annual Meeting of the U. S. Chamber of Commerce, Washington, D. C., April 30, 1947.

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main problem I think we must give some attention to these questions.

## Benefits of Government Spending An Illusion

In the first place I am convinced that the supposed benefits of government spending are an illusion. Government has no

magic power to raise the standard of living by spending money. What it gives to some, it takes from others; and in the doing, it tends to impair some of the finest attributes of our American character and our free economy.

Government spending of money raised by taxation does not en-

(Continued on page 48)

## Bird's Eye View of Central Europe

By WILLIAM R. MARTIN\*

Export Manager, Publicker Industries, Inc.

Recounting impressions of a tour of Western Europe, Mr. Martin finds business outlook favorable in Scandinavian countries, some improvement in Italy, Switzerland and France. Says Germany is a vacuum in the middle of Europe, and welfare of surrounding nations is vitally concerned with Germany's economic recovery. Points out Europe's intense concern over America's foreign policy and warns high U. S. prices are being resisted by import restrictions despite Europe's needs. Stresses U. S. aid for expansion of European production.

A couple of weeks ago I completed a three-month tour of Sweden, Norway, Denmark, Holland, Belgium, France, Switzerland



William R. Martin

and Italy. The object of my visit to Europe was not to make surveys; I went there for the object of ascertaining if our particular sales outlets were operating efficiently, and what our prospects might be for the future. However, in the course of my travels certain observations were made, certain opinions were formed, and this, I hope, will be at least informative.

I am not interested in indulging  
 \*An address by Mr. Martin before the Export Managers Club, New York City, April 15, 1947.

in any travelogues, and I am sure you aren't either. So let's get down to cases and find out what we can get out of this.

I think in this report I will touch upon four topics:

- (1) Trade factors as I saw them.
- (2) Business outlook in some of the countries visited.
- (3) Germany's place in the European economy.
- (4) Europe's concern with America's foreign policy.

## What Are the Trade Prospects Today in Europe?

In answering that question it is not enough to say that there is an enormous demand. That, of course, is universal. In my own experience I reduced the question to determining what the trade factors would be. As a result of that I have, in our own case, determined that the factors are these:

- (1) Essentiality of the commodity to the industrial rehabilitation of the country of importation.
- (2) Production, if any, of the commodity in the country of importation.
- (3) The ability and readiness on the part of the American producer to set forth a regular program of deliveries.

Whether a man merely sits and stares into space or whether he expends all his energies in any venture, he must eat. Food must be imported in most of the liberated countries of Europe. That means a drain on their finances; that means a drain on available

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Published Twice Weekly

## The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers  
25 Park Place, New York 8, N. Y.  
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher  
WILLIAM DANA SEIBERT, President  
WILLIAM D. RIGGS, Business Manager  
Thursday, May 1, 1947

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

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# How Can We Avoid a Recession?

By LEON H. KEYSERLING\*

Vice-Chairman, Council of Economic Advisers

Though stating a recession may not be avoided, President's economic adviser contends it can be moderated by private enterprise performing stabilizing functions exercised by government during war. Calls for synchronization of wholesale and retail price reductions, even with temporary shrinkage of profit margins.

The topic "How Can We Avoid a Recession?" is well-stated, because it emphasizes that the American economy has sufficient strength and intelligence to avoid recessions and depressions if it applies itself forthrightly to the task.



Leon H. Keyserling

There are three groups who are making it more difficult to avoid a recession:

First, there are those who, since 1945, have been recurrently predicting a serious recession within a few weeks. Several times already they have been proved wrong. But they figure that on the law of averages, they will undoubtedly make a right guess once and be hailed as prophets. This is an easy way to cash in by being irresponsible.

Second, there are those who believe that a recession is inevitable

and beyond human power to prevent or mitigate. They believe that the only sensible counsel is to prepare for a certain storm. They forget that for businessmen and buyers to dig in for bad times instead of working to prevent them is the surest way to manufacture bad times.

Third, there are those who know that over-reaching and short-sightedly selfish economic behavior is bad for the economy in the long run, but who want to take all they can for themselves while the going is good. This is the most difficult group to deal with, and the most pernicious.

Even the hardest and most persistent efforts may fail to avoid a recession. The task is difficult. But these efforts at best could be fully successful. At least, they can reduce a recession to mod-

(Continued on page 50)

\*A statement by Mr. Keyserling broadcast over Columbia Broadcasting System, April 27, 1947.

# Presidential Adviser Anticipates Further Labor Trouble

John D. Clark charges business with meeting labor's demands with power alone; and labor, business, and Congress with opposing legislation to protect the public in advance of trouble.

WASHINGTON (Special to the "Chronicle")—That labor relations are heading for trouble would seem to be the conclusion of John D. Clark,

member of the President's Council of Economic Advisers. In Washington recently Dr. Clark discussed the subject before alumni of the Harvard Graduate School of Business, gathered here from various parts of the East.



Dr. John D. Clark

In his informal address, Dr. Clark made two major points. First: a year ago labor based its request for higher wages on the fact that large profits were being made by business. But business rejected that argument as irrelevant. This year labor's demands have been based on the high cost of living, while the business world has rejected that thesis. Dr. Clark stated that these two standards of proper wage adjustment are the only two he can think of which can be measured quantitatively. When labor is told that neither will be accepted, Dr.

Clark continued, as the principle on which its wage proposals will be determined, then in substance labor is being told that wage determinations will be the result of power alone.

Dr. Clark's second point is that both labor and management have been equally determined in opposing any legislation to protect the public in cases of work stoppage of critical character. Each side admits, according to Dr. Clark, that there may be such crises in the future as in the recent past and that when they occur the Government will have to take action to bring about the continuance of essential services, yet both sides refuse to accept any legislation which will in advance authorize the President to act instead of leaving him under compulsion to act without specific authority from the people.

The same reluctance to consider the legislation which is most vital at this time, Dr. Clark holds, is being shown in the Congress, where there are many proposals about action which may be taken before an ultimate crisis occurs, but no legislation proposing action if the preventive

(Continued on page 47)

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**Why Tax Reductions Immediately!**

By JOHN W. HANES\*

Chairman, Board of Trustees, Tax Foundation  
Formerly, Under Secretary of the Treasury

Former Treasury official points out taxes constitute large factor in prices, so if price reductions are to come, taxes must be immediately reduced. Illustrates effects of high taxes in destroying risk incentive. Contends tax reduction would be deflationary rather than inflationary and denies across-the-board reduction favors higher income brackets. Says present tax schedules abuse "ability to pay" principle.

Tax reduction and debt reduction are practical when a surplus comes within view; they are meaningless while deficit financing proceeds and while inflationary forces continue to be powerfully at work, as has been the case during the past decade.

My approach to the problem has not been on an "either or" basis, that is, that we must choose between one or the other course,—debt reduction or tax reduction. My position has been that we could have both—that the Treasury surplus will be sufficiently large to provide effective taxpayer relief and to make at the same time, substantial reductions in the federal debt. (I am assuming of course that Congress will proceed with its present plan of reducing the Executive budget for 1948). We should not lose sight, however, of the great importance of holding to a minimum every appropriation for the balance of the fiscal year 1947.

The problem this Committee faces is far larger than a mere technical debate over fiscal policy. In the action you take, you must weigh not only effects upon future Government revenues, but the economic consequences incident to every change in taxation, no matter what economic groups may be affected. It's been a long time since the Government was even willing to think in terms of subordinating its wishes to citizen or taxpayer interests. That time has now arrived, and the quicker we face up to that fact, the sooner our economy will rest upon a substantial and permanent foundation.

\*Statement by Mr. Hanes before the Senate Finance Committee, April 24, 1947.



John W. Hanes

I have urged speed in enacting tax reduction for reasons which every passing day not only confirms but makes doubly imperative. The more promptly the question can be acted upon, the more positive will be the constructive effects upon business and our national economy.

Many economic experts currently feel that our existing high-level production is at a critical point. Our maladjustments seem to grow worse rather than better as prices and wages seem ready for another inflationary upturn. The President consults his Council of Economic Advisers, and then calls upon business to reduce prices. If prices don't come down, he says in effect, then labor is justified in asking higher wages. Instantly inflationary pressures are increased as a new wage-price struggle impends.

It is a mistake to assume that, in these contests, the government is a mere outside observer, acting in a detached way as the public's representative. That is not the case. While labor and industry must carry their fair share of the blame for our present situation, primary responsibility must be assessed against the Government itself. We must not overlook the fact that, in the fixing of prices which the public is called upon to pay—in recovering the mounting costs of production—one of the most important factors is the cost of Government services, expressed in the form of taxes, which is compounded into the price of goods and services which the public buys.

If we really mean to go about reducing the price level—and cancel out some of our wartime excesses—then let's begin at the point where Government assistance can be most effective. This is in cutting the high cost of government itself, which today is a

(Continued on page 40)

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**BUSINESS BUZZ**

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**Tax Relief Needed to Retire Debt**

By LEVI P. SMITH\*

President, Burlington Savings Bank, Vermont

Savings banker says we must plan now to promote cheerfulness and confidence in future by enacting both tax relief and debt retirement and thereby promote thrift to drain off inflationary spending.

There is every reason to believe that some degree of tax relief now is not only entirely consistent with a sound long-range plan

for debt retirement, but is necessary to it, if the debt retirement is to prove continuous, steady and successful. Long-range thinking is vitally important in setting up a pattern for future financial stability.



Levi P. Smith

The Spartan view that all possible government savings be directed exclusively to debt retirement and that taxes be continued at war levels commands respect by its logic and courage. It is true that we are overshadowed by the threat of inflation and will continue to be as long as we have such a monstrous national debt. It must also be granted that tax relief is in some respects inflationary and is likely to be especially inflationary in a democracy where most relief will always go to the most people and where, therefore, that part of the budget savings will swell the pocketbooks of spenders more than it will swell the funds of enterprisers likely to use it to lower prices or to create more production and more jobs.

All of this, however, falls to take into account the effect of such action on a populace which has carried war taxes to victory and beyond. We are confronted

\*Statement of Mr. Smith before the Senate Finance Committee, Washington, D. C., April 24, 1947.

with a problem which is 90% human or, if you will, political in the sense that if the debt is to be carried evenly and triumphantly, it will be done by enlisting the energies of the people for a long, steady, continuous pull, as contrasted with the sporadic action and reaction certain to result in an economy of boom and bust.

The public debt is so immense that whether all budget savings or only a part of them are directed to its retirement now, will make relatively little difference. What we must plan now, therefore, is a pattern of life under which our people may live with the debt with some degree of cheerfulness and look forward to its eventual retirement with some degree of confidence. To tell a person that he must go on all his life still carrying these drastic war taxes is not conducive of cheerfulness and confidence.

Any sound program must relax the pattern of war taxes now, must offer definite relief in such form as will be encouraging to as many people as possible and, to counteract the inflationary effect of such encouragement, must rely upon redoubled efforts to mobilize the thrift of all the people to drain off the spending-money and to turn back into the government pool a flood of savings. It would seem that the suggested tax relief, if combined with a consistent plan for debt retirement and balanced off by a continued and increasing promotion of the savings-bond program, must be the line most likely to enlist the overwhelming popular support necessary to the successful solution of this vital problem.



## Washington . . . And You

Behind-the-Scene Interpretations  
from the Nation's Capital

Senate Republicans have decided to put President Truman squarely on the tax reduction veto spot. That means they (1) won't make concessions to the White House; (2) will pass the House approved tax bill with but slight modification. It now looks as though the only important alteration in the House formula will be advancing the retroactive reduction date from Jan. 1 to July 1, this year.

Democratic proposals that exemption increases be substituted for percentage rate reductions will be rejected. Hiking exemptions would free uncounted citizens from Federal taxes. That would be politically unwise from the viewpoint of GOP policy makers. They well know the sins of Administration extravagance and the righteousness of Republican economy will be most apparent to the fellow who must fork over to the tax collector.

There's a good chance the Senate Finance Committee may get the tax bill reported out favorably before this week ends.

It's just as apparent now—as weeks back—that landlords needn't expect any legislative across-the-board rental hike. Both major parties are playing prudent politics on that issue. Renters

outnumber landlords. Ergo, Congress deems it most unwise to legislate rent costs upward.

After 10 days of House Commerce Committee hearings on international airlines, it's still safe to wager and invest on the theory Congress will not endow any single American flagship line with an international flying monopoly.

House Commerce Committee members took time off from the air hearings last Friday to huddle behind locked doors on proposals by Connecticut's Republican Representative Miller that Federal Power Commission be walled off from industries producing power for their own consumption and from strictly local utility operations. Watch for formal committee hearings within a fortnight.

(Continued on page 39)

## Taxes In the Years Ahead

By HARRY A. BULLIS\*  
President, General Mills, Inc.

Mr. Bullis forecasts for normal future Federal taxes of \$25 billion and state and local taxes of \$10 billion. Says this taxation requires national income of \$165 billion and accordingly incentives must be provided to maintain production. Proposes as tax sources: \$9½ billion from individual incomes; \$7 billion from corporations; and \$8½ billion from excises and miscellaneous. Recommends only slight reduction in corporate income tax rates.

By addressing you as taxpayers I forewarn you that I shall not offer you, today, any promise of your elimination from that privileged



Harry A. Bullis

position. However, I believe that a sound fiscal program is possible which will lighten the burdens of taxpayers and at the same time contribute to a better balanced dynamic national economy.

The opinions which I shall express and the recommendations which I shall make do not necessarily represent the views of the Chamber of Commerce of the United States or of my company. Let me add also that any resemblance between my program and other tax programs, living or dead, is not merely coincidental, because I have relied heavily upon the reports of others whom I consider reliable.

ber of Commerce of the United States or of my company. Let me add also that any resemblance between my program and other tax programs, living or dead, is not merely coincidental, because I have relied heavily upon the reports of others whom I consider reliable.

### The Tax Burden After 1948

When we think of how much money it takes to run the Federal Government, and of where the money must come from, we have no difficulty in realizing that we are facing a most complex problem and a serious challenge to our national economy.

The Federal Budget for the coming year is very high. We hope that Congress will do some judicious pruning so that taxpayers may be afforded some immediate relief. After next year there should be substantial relief.

(Continued on page 25)

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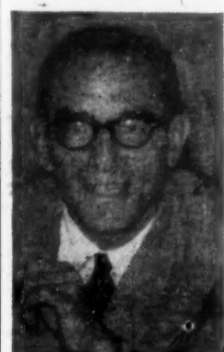
## Observations . . . . .

By A. WILFRED MAY

### THE PRICE OF OUR DEMOCRACY

Twenty Months Before Election Day the Politicians Ghost-Write the Nation's Economic Policy

It may be naive to expect a government to treat tax policy or any other issue with any degree of objectivity only 20 months before a national election. Nevertheless the economic pronouncements being currently handed down by our Administration leaders seem to be setting new highs in special pleading.



A. Wilfred May

A striking example is Secretary of the Treasury Snyder's statement on tax legislation before the Senate Finance Committee last week. Thorough perusal forces the conclusion that in essence—far from being a sound technical analysis—it is a lawyer's brief persistently arguing for a preconceived objective.

In the first place, the various arguments marshalled by Secretary Snyder to prove that now is not the time for tax reduction, can similarly be brought forth at any time in the future, so that acceptance of his arguments would preclude the lowering of taxes in perpetuo. In this vein Mr. Snyder says "the desirability of maintaining present tax rates for this year is emphasized by the size of the public debt." But the question must be asked when would this Administration (which has in the past soothed the people's debt worries with the "we owe it to ourselves" reasoning) conceivably agree that our \$258 billion debt has been reduced far enough to permit tax cuts? If the debt is unsound at \$258 billion, will it be sound at 250, or 200? And in what generation will such lower level be reached, particularly in view of the current violent opposition of Mr. Snyder and his Administration to reducing the outrageously high level of Federal expenditure?

Of course, the size of the debt at \$258 billion is dangerous, but the current economic injury to the workings of our present enterprise structure ensuing from maintenance of the present high tax rates far outweighs the advantage of reducing the debt structure by less than a possible 2%.

(Continued on page 46)

## Let's Shrink Our Worries!

By FREDERICK W. GEHLE\*  
Vice-President, Chase National Bank

Commenting on gloomy forecasts regarding future, Mr. Gehle points out there always has been trouble and unrest in the world. Contends, although we face serious difficulties, we should not talk ourselves into a depression, and, in calling attention to our wartime accomplishments and greatly increased productive capacity, concludes we will bear our burdens and maintain our strength in the days and years to come.

You have but to read the daily newspapers to draw the conclusion that human affairs in general are badly tangled . . . that we are in a



Frederick W. Gehle

period of great uncertainty . . . that these are really difficult days. Not long ago an enterprising reporter asked certain people what they thought of the century that we are living in. If they had their choice, he asked, would they not prefer to live in another time?

Cornelia Otis Skinner, the actress, said that she sometimes thought that any other century than this would have been a better one. Henry Wallace, who is doing his

own peculiar part to make this century a memorable one, said that if he had to be born in another century he would prefer the 21st, 22nd, 23rd or the 24th.

From all accounts there is everywhere a feeling of unrest. We notice it in the way men and women talk that come to our banks . . . our homes . . . that we meet on the street. Only on Monday President Truman in his speech before the Associated Press at the Waldorf said—"I must say in all frankness that the economic skies are not entirely clear." He

(Continued on page 22)

\*A talk by Mr. Gehle at the Convention of the National Association of Bank Auditors and Comptrollers, New York City, April 23, 1947.

## The Seasonal Trend In Stock Prices

Waldheim, Platt & Co., 308 North 8th Street, St. Louis 1, Mo., has compiled a circular giving a list of 176 important common stocks, listed on the New York Stock Exchange, with unbroken dividend records of 15 years or more together with other pertinent data. The circular also contains a chart showing the seasonal trend of stock prices as developed in the study of such movements over a 50 year period made under the direction of Major B. Einstein, a partner in Waldheim, Platt & Co.

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## Mexico and Holland • Seek World Bank Loans

WASHINGTON, — The International Bank for Reconstruction and Development announced April 29 that a formal loan application for \$208,875,000 has been received from the Government of Mexico, and that the Government of the Netherlands, which had previously indicated its intention to apply for a loan, has now submitted a formal application for \$535,000,000.

The purpose of the loan requested by the Government of Mexico is for the development of productive facilities which include irrigation and hydroelectric projects, highway construction, pipelines, railroads and harbor improvements.

The Government of the Netherlands has requested the loan to finance a portion of their more urgent projects in an over-all rehabilitation, reconstruction and industrialization program.

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## New York Bank Economist Says Business Trends Still Same as After World War I

Says slowing down of business activity after Easter has materialized just as business trends were reversed 20 months following Armistice after World War I. Stresses prices, too, have ceased their upward climb. Holds unsettled condition of the European markets due to inability of Big-Four to reach agreement on future of Europe will have a strong tendency to depress economic conditions in this country by discouraging the flow of American funds into potentially profitable investments abroad. Feels still too early to tell definitely whether much-publicized recession is really upon us.

For some months now, as we have pointed out in these columns before, the last time only six weeks ago, an economist for one of New York's largest banks has been

spending much of his time comparing the business trends since the recent war with the business trends that followed World War I. Because of the interest which our readers have shown in his findings, we are again publishing here another article on the subject, bringing the data up to date and adding such explanations or comment as seem to us pertinent to the whole question under discussion.

Col. Leonard Ayres, economist for the Cleveland Trust Co., who died not so long ago, advanced a theory of the business cycle which postulated what he termed were "primary" and "secondary" depressions following every modern war. Businessmen, too, remembered from their own experiences what had happened in the business world in the early twenties and wondered whether history would repeat itself. The Ayres' theory, in a sense, is little more than a description of American economic development for the two decades following World War I. According to the Ayres' hypothesis, every war is followed by (1) a boom, (2) a "primary depression," (3) a relatively long period of city prosperity based on (contin-

ued) farm depression, and (4) a "secondary" or major economic collapse.

It was probably as much to test the validity of the claims being made by the theoreticians and others that a rather severe shake-down in prices and a general slowing up of activity in all fields of business were imminent—almost inevitably imminent, as it were—as the desire to capitalize on and otherwise to profit from the findings should they prove to be reasonably accurate that undoubtedly prompted the compilation by the instant economist of the necessary data and the comparison of the present figures with those for the years and months immediately following World War I.

The economist makes it clear that in his investigation he is giving careful attention to the cases underlying such trends as he believes he can detect. He is not, that is, consulting any crystal ball or slavishly following any theory even though, as stated above, he is entirely aware of what the late Col. Ayres has written on the subject. His approach to the problem is statistical and analytical. He believes psychology, as the word is sometimes loosely used, does influence the judgment and decisions of businessmen but he thinks that the psychological environment in which business operates is itself based on wholly objective considerations of the actual condition of the market. There is thus nothing mystical in what the economist is doing or saying though it may seem so.

The economist discovered early in his researches, as our readers know, that the correlation between current trends and the various patterns of business activity following World War I was very close, closer, in fact, than, in justice, as he figured it, he had any right to find it. This raised the question in his mind, as was pointed out in the last article (issue of March 20), whether there would be a repetition now of the two-year recession which got under way 20 months after the signing of the Armistice following World War I. If the timing were to be the same now as before, the much-publicized depression, it was figured, was to have gotten under way a week or so after Easter, that is, two or three weeks ago. The economist believes it is probably straining any theory too far to expect it to duplicate the same or similar conditions at exactly the same periodic intervals and he has stated that he is ready to continue considering present-day trends as being more or less identical to the trends after World War I even should the timing be delayed by as much as six months.

In certain significant fields of production and employment during the last three to four weeks, the economist has found notable declines, just as he had somewhat expected to find them. Perhaps it should be pointed out that this is not just a case of finding figures to illustrate a point or an instance of grasping at straws. The investigation has from all evidence been conducted on too high a level to suspect any such manipulation of convenient use of selected data. For instance, there has been a large decrease in the

(Continued on page 60)

## Grounds for Immediate Tax Relief

By HARRY E. HUMPHREYS, JR.\*

Chairman, Government Finance Committee,  
National Association of Manufacturers  
Vice-President, United States Rubber Co.

Mr. Humphreys, in presenting views of NAM, upholds House tax measure, and replies to criticisms against it. Says tax reductions should not be deferred, and debt reductions are possible along with tax reductions. Denies high taxes keep down inflation and refutes arguments House-passed bill is unfair tax measure. Stresses need for reduced taxes to expand savings and capital investment.

My remarks are divided into two sections. The first deals with some matters of general taxation doctrine and procedure, and the

second deals with some of the specific criticisms that have been directed against H. R. 1, as amended.

With respect to the more general aspects of the subject, I would like to point out that there is almost universal agreement on the proposition that the Federal tax rates are too high and must be reduced. The principal divergence of viewpoints has been on the time at which these reductions should be made. At least three different positions have been taken on this question by different individuals and groups. These positions are:

(1) Defer tax reduction until the present period of virtually full employment has ended; that is, when signs of a business recession are evident. Tax reduction made then, it is said, would stimulate business revival.

(2) Defer tax reduction until

\*Statement by Mr. Humphreys, to the Senate Finance Committee, Washington, D. C., April 25, 1947.



Harry E. Humphreys

the entire field of Federal taxation can be reviewed and the most appropriate places can be discovered at which tax changes should be made. Advocates of this position say such a general review may prove that H.R. 1 as amended goes too far in the reduction of certain individual income taxes, a finding that would involve the trouble and embarrassment of later making some increases in individual income taxes.

(3) Proceed at once with the enactment of H.R. 1 as amended as a first step in the relief of taxpayers and then carry through with the more detailed study and revision of other features of the Federal tax system.

The National Association of Manufacturers supports the third of these positions, namely, that the Congress proceed now with the granting of such tax relief to individuals as is provided in H. R. 1, as amended.

### Reductions Should Not Be Deferred

Our analysis of the issues involved leads to a different conclusion as to the correct timing than that which has been expressed by Secretary of the Treasury John Snyder. The essence of the problem before the Congress and the country is the relation of

(Continued on page 38)

## Appraising the Stock Market

By COL. HERBERT G. KING

Member, New York Stock Exchange

Mr. King calls attention to economic, political and foreign situations and contends despite difficulties and disappointments, all have a bright star in their horizon.

The time has come for us to dispassionately take stock of the economic, political, and foreign situation and to appraise the stock



Col. Herbert G. King

market, while keeping an eye on impending events. During the last nine months the stock market has had a sizable drop and it has had to withstand some very severe shocks. Everywhere I go I am asked about the impending recession. Many businessmen have been frightened by the President's attempt to talk prices down and have been trying to protect themselves from his campaign to lower the prices of finished products while at the same time raising commodity prices and wages. When we add to this the effects of the strikes and shortages, it is no wonder that the poor average businessman is confused.

So many executives allowed themselves to be carried away by successful order taking during the war period, that they seem to have forgotten that business is always a struggle and that the basis of modern business is service. The aim must be to produce more and sell for less. The inexorable law of supply and demand will do more for prices than any campaign

of the President's. Therefore, the companies run by the ablest businessmen are going to be the most successful and when appraising the probable course of the stock market, this must be constantly kept in mind. Without doubt we shall have a very selective market for some time and all companies will not benefit equally.

### Era of Strikes Ended

Anyone, except a few very small time labor leaders, can see that the era of strikes has come to a close. Strikes are no longer profitable. The public is fed up with them and the strikers are beginning to realize that they are losing more than they gain. The telephone strike is a good example of the futility of unenthusiastic strikers ever hoping to get anywhere without the sympathy of the public. The wise leaders like Lewis, Green, and Murray know that Congress has at last been goaded into preparing a labor bill that will once and for all put an end to the abuses of labor. Their main fear, at the present time, is that President Truman, much against his will, may be jockeyed by the strikers, into a position where if he vetoes the Labor Bill, it would mean his political suicide.

The President has enjoyed seeing his political stock rise during the last three months. The three

(Continued on page 50)

## Reciprocal Trade—A Consistent Bi-Partisan Policy

By HON. W. AVERELL HARRIMAN\*  
Secretary of Commerce

Secretary Harriman quotes late President McKinley in support of Administration's Trade Agreements Program. Calls it a consistent policy, and asserts tariff reductions will be carefully watched to avoid adverse effect upon American industry. Points out importance of both larger exports and imports to nation's welfare.

I should like to preface my remarks by recalling the words of a far-sighted American:

"... A system which provides a mutual exchange of commodities is manifestly essential to the continued and healthful growth of our export trade. We must not re- pose in fan- cied security that we can use forever sell everything and buy little or nothing.... We should take from our customers such of their products as we can use without harm to our indus- tries and la- bor. Reciprocity is the natural outgrowth of our wonderful in- dustrial development under the domestic policy now firmly estab- lished. What we produce beyond



W. Averell Harriman

our domestic consumption must have a vent abroad. . . . "The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. Commercial wars are unprofitable. A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times."

The far-sighted American from whom I have quoted was Presi- dent McKinley in his last speech, made in Buffalo on Sept. 5, 1901, shortly before his assassination. I feel that his words have even greater meaning today, and they express my own views on the im-

(Continued on page 43)

\*Basic statement of Secretary of Commerce W. Averell Harriman before House Ways and Means Committee investigating trade agreements program, Washington, D. C., April 28, 1947.

## Our Opportunities In World Commerce

By WILLIAM C. FOSTER\*  
Under Secretary of Commerce

Commerce Department spokesman stresses postwar growth in vol- ume of foreign trade, but points out need for larger imports to bal- ance dollar payments. Says only practical limit to our exports is supply of dollar exchange, which cannot indefinitely be supplied by government lending, gifts and investments abroad. Favors im- porting basic raw materials and search for new marketing and dis- tribution methods for imports. Expresses confidence in success of Geneva Trade Conference.

You men in the business of importing are engaged in activities of vital importance to our national welfare and the welfare of the world. The business inter- est of importers is now hitched to world peace and prosper- ity as closely as that of any other group in the United States. How well your busi- ness expands in the years to come will be a critical in- dex of the economic and political health of the entire world.



William C. Foster

The record of American impor- ters' groups testifies that you are aware of the tremendous im- portance of an expansion of multi- lateral world trade. Through your organizations, you have supported all constructive efforts which have been made to reduce obstructions and uncertainties which serve to choke off trade. Your outspoken support of future and pending measures, such as the Interna- tional Trade Organization, will be indispensable if they are to suc- ceed.

The story of our international transactions for last year, and prospects for the current year re- veal in powerful terms the impor-

\*An address by Under Secretary Foster before the National Council of American Importers, New York City, April 22, 1947.

tance of increasing our imports. In 1946, we exported a total of \$15.3 billions worth of goods and services. On the other side of the ledger, we imported a total of \$7.1 billions worth of goods and serv- ices. The difference, the gap, be- tween our exports and our im- ports, amounted to \$8.2 billions, which we closed by gifts, public and private, of more than \$3 bil- lions, by loans of three billion, and by drawing down foreign dol- lar balances and sales of foreign assets in this country.

The latest information of the Department of Commerce indi- cates the following prospects for 1947: we will export at least \$16 billions of goods and services. We

(Continued on page 41)

## Irving Fisher Dies at 80

Well known economist succumbs in New York on April 29. Had proposed reform of currency over long period of years and many of his articles were published in the "Chronicle."

Dr. Irving Fisher, internation- ally-known economist and statisti- cal expert and for many years Professor of Political Economy at Yale Univer- sity, died in New York on April 29 at Gotham Hos- pital. Dr. Fisher was 80 years old.

Irving Fisher, long a champion of the commodity dollar and other curren- cy and bank- ing reforms, was also an ardent advo- cate of world peace organization and public health improvement. He was a prolific writer, and his contribu- tions have from time to time ap- peared in the "Chronicle." His last contribution, an address at the Yale Club, New York City, on the occasion of his 80th birth- day, appeared in the issue of March 13.



Prof. Irving Fisher

## John Broderick Made Doremus Co. Director

John P. Broderick has been elected a director of Doremus & Company, advertising agency, 120 Broadway, New York City, ac- cording to announcement by Wil- liam H. Long, Jr., President. Mr. Broderick is Vice-President of the agency and is in charge of the public relations and news division. He was formerly a member of the news staff of Dow, Jones & Co. and was one of the editors of "The Wall Street Journal." Mr. Broderick, a graduate of the University of Minnesota, obtained his early training in the Middle West. He was publicity director for the Victory Fund Committee in the Second Federal Reserve Dis- trict during the Second War Loan Drive.

In 1939-40 Mr. Broderick was President of the New York Fi- nancial Writers Association and was President of the New York professional chapter of the jour- nalist's fraternity, Sigma Delta Chi, in the same year.

## Rufus Waples & Co. Admits Crouse As Partner in Firm

PHILADELPHIA, PA. — Rufus Waples & Co., 20 South Fifteenth Street, have admitted Jacob H. Crouse to limited partnership in the firm. Mr. Crouse has been manager of the Frankford office of the firm since 1931.

## U. F. E. Seeks Collective Bargaining Rights for Employees of Drysdale & Co.

By EDMOUR GERMAIN

Mayor's Committee, headed by Grover Whelan, seeking to resolve Wall Street's labor disputes, settles another argument between U. F. E. and New York Stock Exchange and New York Curb Ex- change over what is to happen to employees of Exchanges who resigned from union after contracts with the Exchanges expired. Financial Employees' Guild, CIO, wants U. F. E. to join it in protesting to Congress against so-called anti-labor bills.

Another disagreement flared up this last week between the United Financial Employees, AFL, and the New York Stock Exchange and the New York Curb Ex-

change, but the Mayor's Commit- tee, headed by Grover A. Whelan, which has been seeking to find ways and means of resolving Wall Street's labor disputes of the pres- ent time, put its collective heads together and found a basis for solution. The disagreement evolved around what was to hap- pen to the employees of the two Exchanges who chose to drop their membership in the union follow- ing the expiration of the union's contract at midnight Sunday, April 20.

It will be recalled that the union canceled its contracts with the Exchanges as of that date because of another dispute it had with A. M. Kidder & Co. arising out of negotiations for a first contract. The union had intended to call a strike against the Exchanges as well as A. M. Kidder & Co. to force A. M. Kidder & Co. to sign a contract more or less on the union's terms. The Mayor's Com- mittee found a basis of settlement in the A. M. Kidder & Co. dispute, as reported in these columns last Thursday. The firm, that is, agreed to limited arbitration of the wages issue. The arbitrator who was to have been named by last Thursday night has still to be named, but it is understood he will be picked by tonight. The firm said that the arbitrator could raise wages to the aggregate of not more than \$25,000 a year for the whole firm, including those to

whom raises have recently been granted by the firm. The arbitra- tor is to say who gets the money and how much, but across-the- board increases are barred.

## Coleman Attends Meeting

Tuesday afternoon last (April 29), the Mayor's Committee met with Emil Schram, President of the New York Stock Exchange; John A. Coleman, Chairman of the Board of Governors of the same Exchange; Francis Adams Trus- low, President of the New York Curb Exchange, and representa- tives of the union at the City Hall to try to iron out the new diffi- culty which had arisen. Repre- sentatives of A. M. Kidder & Co. were also present as the Commit- tee had hoped to consult them on the selection of an arbitrator for their own wage issue, but they were dismissed when it became evident that the Committee would have all it could to settle the new disagreement connected with the Exchanges.

The Exchanges couldn't see why employees who had taken advan- tage of the expiration of the con- tracts to resign from the union should be compelled any longer to pay dues to the union. The Ex- changes deduct dues from the pay of unionized employees, according to the contracts. At the time of the A. M. Kidder & Co. settlement Tuesday night, April 22, the

(Continued on page 59)

WE ANNOUNCE THAT

JO M. FRENCH, Vice President

HAS BEEN PLACED IN CHARGE OF OUR SOUTHERN CALIFORNIA ORGANIZATION WITH HEADQUARTERS IN LOS ANGELES

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## Public Utility Securities

### Public Service Co. of New Mexico

Federal Light & Traction, a sub-holding company in the Cities Service System, over a period of years has disposed of a large number of its properties. Finally the four principal remaining subsidiaries, all located in New Mexico—Albuquerque Gas & Electric Company, New Mexico Power Company, Las Vegas Light & Power Company and Deming Ice & Electric Company—were merged last fall into Public Service Company of New Mexico.

Federal Light & Traction last September filed a dissolution plan with the SEC under which it proposed (1) to retire its \$6 preferred stock at \$100 plus any dividend accruals; (2) to give preferred stockholders "stubs" for the \$10 redemption premium (in case the SEC or the Courts should grant it) leaving cash in escrow to cover the liability; (3) organize the Federal Liquidating Corp. to take over miscellaneous assets and assume all remaining liabilities of Federal Light; and (4) distribute to the holders of each share of its own common stock one share of Public Service of New Mexico, one share of Federal Liquidating Corp., and \$11 cash. As holder of 64.7% of Federal common stock, Cities Service Company would receive 339,639 shares of Public Service of New Mexico, and the same number of Federal Liquidating shares; the former stock would be disposed of at some later date.

It was reported that time that net income of Public Service of New Mexico for the 12 months ended July 31 was \$1.20 a share. No report has been published for the calendar year 1946, but an analysis of the consolidated report of Federal Light & Traction seems to indicate earnings of \$1.30 a share for the New Mexico company. At the recent stockholders' meeting of Federal Light & Traction, President Nichols estimated that the new company would earn at the rate of \$1.47 in 1947, and might be expected to pay dividends of \$1 per share.

Public Service of New Mexico assumed four issues of first mortgage 3½% bonds due 1968 which had all been issued in 1941 by the merged operating companies (all held by the John Hancock Mutual Life Insurance Company), the total amount approximating \$5,500,000. These various divisional bonds would probably be converted into a single first mortgage issue presumably with a lower interest rate. Last November President Prager told the SEC that his company would need \$4,000,000 for improvements in

1947-48. At that time he was uncertain whether they would merely issue more bonds or whether to refund the old bonds at the same time, with competitive bidding for the increased issue. On Dec. 30 the company asked permission to borrow \$1,000,000 for construction requirements on a 2% nine-months promissory note and this was approved in February.

Last November the four principal communities served by the company asked the SEC to postpone liquidating proceedings for three to six months so that they could formulate a plan for acquiring the entire stock of the company. The SEC denied a request that the Nov. 13 hearing be adjourned for six months and gave the communities two weeks to present their views. No further news of this development appears available, though perhaps it may account for the delay in the granting of final approval by the SEC.

It is difficult, in the absence of an official report for the new company, to describe its exact setup. The consolidated 1946 report of Federal Light & Traction may include some figures for small miscellaneous properties which will be taken over by the Liquidating Company. However, such amounts would probably not be very large. The consolidated plant account, including intangibles (at cost or at original cost as approved by the state regulatory commission) amounted to \$14,562,000 and the depreciation reserve to \$2,309,000. Operating revenues for 1946 included \$2,878,000 electric, \$1,230,000 natural gas, \$292,000 water, and \$28,000 ice—total, \$4,428,000. Net income approximated \$685,000, it is estimated.

Federal Light & Traction is currently quoted around 22 on the New York Stock Exchange. According to President Nichols the stock of the Liquidating Company would be worth about \$1. Deducting \$11 cash and the \$1 for liquidating stock would leave \$10, indicating \$10 value for one share for the Public Service of New Mexico. Assuming that the estimated earnings of \$1.47 and the

\$1 dividend rate should prove correct, this would indicate a price-earnings ratio of about 6.8 and a yield of 10%. There is, of course, no "when issued" market as yet for the stock.

## COMING EVENTS

In Investment Field

May 2, 1947 (Pittsburgh, Pa.)

Pittsburgh Securities Traders Association First Annual Outing at the Shannopin Country Club, Pittsburgh.

May 15, 1947 (Washington, D. C.)

Dinner Meeting of Association of Stock Exchange Firms—to be addressed by Edward Hopkins, Jr., Drexel & Co., President of the IBA, and Emil Schram, President of the New York Stock Exchange.

May 23, 1947 (Philadelphia, Pa.)

Bond Club of Philadelphia Annual Field Day at the Philmont Country Club, Philmont, Pa.

June 6, 1947 (Baltimore, Md.)

Bond Club of Baltimore Annual Field Day and Outing at the Elkridge Club.

June 6, 1947 (New York)

Bond Club of New York Field Day outing at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 6, 1947 (Toledo, Ohio)

Bond Club of Toledo 13th Annual Golf Outing at Inverness Country Club.

June 12, 1947 (Minneapolis-St. Paul)

Twin City Bond Club 26th Annual Picnic at the White Bear Yacht Club, to be preceded Wednesday night, June 11, with a cocktail party at the Nicollet Hotel, Minneapolis.

June 13, 1947 (Boston, Mass.)

Municipal Bond Club of Boston Annual Outing.

June 13, 1947 (Cleveland, Ohio)

Cleveland Bond Club's annual spring party and silver anniversary celebration.

June 13, 1947 (Philadelphia, Pa.)

Philadelphia Securities Association Annual Field Day at Llanerch Country Club, Llanerch, Pa.

June 14, 1947 (Chicago, Ill.)

Bond Traders Club of Chicago annual Field Day Party, Acacia Country Club.

June 16-17, 1947 (Cincinnati, Ohio)

Municipal Bond Dealers' Group of Cincinnati Spring Party.

June 20, 1947 (Milwaukee, Wis.)

Milwaukee Bond Club annual picnic at Merrill Hills Country Club, Waukesha County, Wis.

June 27, 1947 (Westfield, N. J.)

Bond Club of New Jersey Spring Field Day at the Echo Lake Country Club, Westfield, New Jersey.

July 15, 1947 (Detroit, Mich.)

Security Traders Association of Detroit & Michigan Annual Summer Golf Party, Orchard Lake Country Club. Also a cocktail party and buffet dinner on July 14 at the Savoyard Club, Detroit.

Aug. 10-14, 1947 (Boston, Mass.)

National Security Traders Association annual convention.

Nov. 20-Dec. 6, 1947 (Hollywood, Fla.)

Investment Bankers Association Annual Convention.

## Expect Agricultural Price Drop!

By H. S. CHERRY\*

Vice-President, Lionel D. Edie and Co., Inc., New York City

Asserting agricultural prices no longer have expanding money supply to bolster them, and manufactured products are competing for larger share of consumer's dollar, Mr. Cherry predicts price decline in foods, farm lands that may be temporarily severe. Warns banks against agricultural loans for purpose of increasing farmers' land holdings but upholds loans to raise man-hour productivity. Sees possible drop in farm product prices of from 25% to 30%.

The prices of most agricultural products are too high and ought to come down. It is my theory and my faith that they will come



H. S. Cherry

down and soon. This broad statement is made in all due modesty and full realization of the hazards of prediction. But about all one can do in this life is to give careful study to what is right and go ahead without equivocation and hedging, which is designed to protect the speaker rather than to contribute to the thinking of the audience.

Why are agricultural prices too high? They are too high because they take too much of the consumers' income. Before the war, in 1939, agricultural products took 8.5% of national income. Now they take 12.7%. They are consuming 50% more of the national income than they used to. National income, as you know, is all payments, wages, salaries, dividends,

\*A paper presented by Mr. Cherry at the Pacific Northwest Conference of Banking, Pullman, Wash., April 20, 1947.

etc., received by individuals. The disparity would be still greater were we to use national income after taxes. \$7.3 billions more money is going to the producers of farm commodities than they would receive as their prewar proportion even if total national income remained at today's high level. Since 1939, these products have enjoyed a price advance of an average of 178%. In other words, they are selling 2.75 times prewar. It happens that they have advanced about as much as the money supply has increased.

Price of products, other than farm and foods, have risen only 65%. Income on the farms is up 260%, but national income only 145%. National income includes swollen farm income. Again the disparity would be even greater if we took only non-farm income and compared it with farm income. We are trying to state the situation in an ultra-conservative manner. This is one of the most striking examples of favoritism of fate in the history of economics. One can only imagine what would if the shoe were on the other foot and the farmer were on the paying end instead of on the receiving end of such disproportions. The farmer would be screaming for

(Continued on page 46)

## Bullish Factors Accumulating!

By LAWRENCE KLYBERT

With Josephthal & Co., Members New York Stock Exchange

Stock market analyst points out, on basis of earnings yields, and prospects, today's common stock prices are lower than at any time in last 20 years. Looks for discounting of good news all in a rush.

I look for a pronounced reversal of the market's downtrend to get under way very soon. True, the market has ignored numerous

pieces of good news, and has shown little disposition to anticipate further constructive factors such as Congressional legislation now pending, to revise the Wagner Labor Act, and also to reduce taxes substantially. However, the large accumulation of good news now backing us up may be discounted all in a rush, as has frequently happened before. An example of that is 1938, when the thick gloom prevailing in the spring was dissipated with a rush upward in the Dow Jones Industrial, Rail and Utility Averages of 45% to 50% by mid-summer.

At this point, it may be worthwhile to note the extraordinary contrast between current business conditions, profits, and prospects, and those of ten years ago, as revealed by scanning a few newspaper headlines of the spring-summer of 1938. These follow:

March 1, 1938: New Deal must revise policies, says Baruch, if business is to rise. — (Now being revised.) Steel operations at 29.3% of capacity. — (Now close to 100%). Supreme Court upholds closed shop. — (Labor legislation now in Congress to eliminate closed shop agreements.) Domestic copper price 9 cents a pound. — (Now 21¢ price 9¢ a pound. — (Now 21½¢ a pound.)

March 2 to 9: General Motors lone auto firm in black in first quarter. — (Now all in black.) Pres. Avery of U. S. Gypsum sees little hope of building revival in 1938. — (Building and construction

industries now facing several years of exceptional activity.) Oil firms' first quarter-1938 profits hit hard by low prices. — (Oil firms now enjoying high profits, demand, prospects.) Exchange suspends Whitney. (That sort of thing out for good.)

March 12 to 26: Facing deficits, railroads seek wage reductions. — Steel production rises to 32.1% of capacity. — John L. Lewis says Labor must recognize Capital's right to just profits — Selling wave breaks world markets as international tension increases. — Steel wage cuts weighed as basis for lower prices. — Labor sobered by lay-offs. — Cumulative effects of margin calls regarded as main impetus in stocks decline. — (The contrast of current conditions with those indicated by these headlines, is obvious.)

March 28, 1938: Anaconda Copper, as an example, reported 1937 net profit of \$3.65 a share, — had \$66.6 millions of funded debt — had net working capital of \$79 million; paid \$1.75 in dividends; (earned \$1.17 in 1938 and paid 50¢ dividend); sold as high as 69½ in 1937; 42½ in 1938. — (Currently, Anaconda earned \$3.11 in 1946, paid \$2.50; and for 1947 is expected to earn over \$7½, and pay about \$4.00. Funded Debt has been entirely eliminated;—Net Working Capital is well over \$170 million. Price range this year, 42 high,

(Continued on page 45)

### Trading Markets in Common Stocks

Bates Manufacturing Co.	*Crowell-Collier
Bausch & Lomb Optical Co.	Liberty Aircraft Products
Buckeye Steel Castings Co.	Rockwell Manufacturing Co.
U. S. Potash	

\*Prospectus on Request

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## Abundant Farm Production with Surplus Food Allotments

By HON. CLINTON P. ANDERSON\*  
Secretary of Agriculture

Agriculture Department head urges floor be put under food consumption as well as under prices and advocates buying of surpluses, a surplus food allotment program, and special marketing programs at home and abroad. Wants scientific knowledge applied to agriculture and holds it should be adjusted to other segments of the economy.

As my contribution today I want to outline what I believe to be the one practical policy for American agriculture—a policy of organized,



Clinton P. Anderson

sustained, and realistic abundance. I want to show you the opportunity we have now, at long last, to establish and maintain a balance between consumption and the sound capacity output of our agricultural plant. This is an opportunity not only to serve the general welfare but also, and not incidentally, to serve the best interests of United States farm people.

In order to show you this opportunity for a balanced program, it will be necessary for me to cover three points: (1) how much food and fiber we need or can reasonably expect to use, (2) what those needs mean in terms of farm acreage and types of farming, and (3) what programs may be needed

\*A statement by Secretary Anderson before the House Committee on Agriculture, April 21, 1947.

to help maintain balance between commodity requirements and production.

### How Much Food Is Needed?

Now, how much food and fiber do we need?

I have looked at that question from a number of different angles, and the answer I get each time is that we need more than we have ever had. Look at it from the nutritionist's standpoint, and it's clear that many people need greater farm production in order to have adequate diets. Look at it from the standpoint of economics, and you see both potential markets and productive power which would, if brought together, mean profitable exchange and an expanding economy. Look at the question from the standpoint of actual experience in wartime when consumer buying power was generally high, and it is clear that people are willing to buy, when they have the money, more agricultural goods than they have ever bought. For the sake of brevity and practicality, let us put aside the matter of what we ought to have—either for good diets or good business. Let us look at the

(Continued on page 28)

## Building in 1947

By GUY T. O. HOLLYDAY\*  
President, Mortgage Bankers of America

Prominent mortgage banker asserts in 1948 building industry should begin absorbing backlog and builders will be busy for several years thereafter. Says present bottleneck is lack of balance in available materials.

With regard to building, there seems to be a general belief that residential construction in 1947 should be sufficient to take care of the current



Guy T. O. Hollyday

demand, and that beginning in 1948 the building industry should start eating into the large backlog, which would keep builders busy for several years; that is, for builders who give full value for the price of their product. By full value I do not mean houses that are now standing empty all over this country because they were built under the handicap of OPA restrictions, and the builders, in order to complete them, went into the black market, with the result that the sales prices were entirely out of line with fair value.

In contrast, let me refer, for example, to one hundred houses now being completed in the Baltimore area, the builder being the local outlet for American Houses, Inc. These houses are prefabricated at Allentown, Pennsylvania, about 75 miles distant. The truck unloads the houses in the morning, and by evening the sheathing has been placed on the rafters to afford protection from the weather. Plumbing, heating and electrical equipment is purchased locally. These are two-bedroom cottages, permitting a future bedroom on the second floor, two space heaters, composition roof, asbestos shingle exterior, that sell for \$6,700 including a \$700 lot, erected by Union labor. The builder figures that there is no particular saving in the purchase of materials, but that there is a great saving in time by having all of the materials necessary to complete the house on the job the day that it is started. As a result, the average house is ready for occupancy in 30 days from the date of beginning. My own company has financed some 500 of these houses, dating back to 1939, and the results in each case have been most satisfactory to all parties concerned.

\*Extracted from an address by Mr. Hollyday before the Texas Mortgage Bankers Association, Galveston, Texas, April 10, 1947.

## Future Real Estate Prices

By GEORGE GOLDSTEIN\*

Appraiser analyzes factors in real estate valuation for long-term lending purposes and contends, although there will be a slight slide-off of value in 1948, with sound economic conditions the outlook through 1955 is good. Sees no immediate prospect of lower building costs and thinks rents of apartments will be increased with higher net income for this type of property. Says life insurance companies are expanding investments in real estate equities.

In order to intelligently place a mortgage on a real property, it is essential that the appraiser or loan officer be able to determine the fee value of the property. The fair market value of income properties can most accurately be portrayed by the capitalization of the net income produced by the property. Capitalization rates are merely the factor for translating a future flow of net income into fee value and so that we understand each other, suppose we check this factor before we apply it to specific problems. Capitalization rates consist of the sum total of four basic component items:



George Goldstein

- (1) The Return on U. S. Government Bonds.
- (2) A Charge for Non-Liquidity.
- (3) A Charge for Management.
- (4) A Charge for the Risk Hazard.

(1) Long-term government bonds are available at a return of approximately 2½%.

(2) The Non-Liquidity element represents the difficulty in disposing of real estate. As the demand for a particular type of real estate increases or decreases so does this item assume less or greater importance. In a rising market and with increased demand—non-liquidity may not represent a charge of more than ½%—and this would be true of 100% commercial locations at this time—but we can all remember a period not too long ago when real estate investments were not too attractive and the only way they could be sold were on unusual terms. So the careful and prudent appraiser gives full weight to this item.

(3) Management—This element may be a very small one where the property is in a 100% location and occupied by a single tenant—such as, a Woolworth, a Kresge, a Bamberger or a Gimbel net lease. On the other hand, if the property is occupied by more than one tenant or is located in an area undergoing change (and most areas are in a fluid condition) this management feature can represent a substantial amount of supervision and work. Even under the most advantageous situation, this

\*An address by Mr. Goldstein, an Appraiser and Realtor of New York City, before the Eastern Mortgage Bankers Association of America, New York City, April 15, 1947.

item should add not less than ½% to the capitalization rate. We can still remember good sound tenants going to owners in 1932-1933 and asking to be relieved of their obligations under the terms of their leases—at the threat of going through bankruptcy proceedings and disavowing their obligations.

(4) The Risk Hazard—This item is the most difficult to determine for it may vary from 1% to 5% or 6% and may be equivalent to the total of the other three items enumerated. Fine locations with good tenants occupying the premises and guaranteeing the payment of the rent reflect small risk and may be set down as low as 1% for the risk item. On the other hand, a new inexperienced industry occupying a two or three story factory or waterfront industrial property might reflect a risk item of 6%.

### The Capitalization Rate

The capitalization rate may, therefore, vary from 4½% as a minimum to a maximum of 15%. Property requiring capitalization rates in excess of 15% represent such hazards that they should be handled as a commercial banking risk rather than capitalized on a flow of income basis. One other explanation before we apply these rates—by net income, I mean after

(Continued on page 23)

## No Sharp Drop in Food Prices

By J. A. GUTHRIE\*

Professor of Economics, State College of Washington

Prof. Guthrie, though stating agricultural prices are too high, contends they are not likely to decline substantially because of high consumer's purchasing power, heavy foreign demands, and use of parity price support. Foresees large 1947 crops.

It is generally agreed that agricultural prices are too high and that they are slated to come down. Farmers realize that the prices of their products are abnormally high compared with those of other commodities. Agricultural economists are warning the farmers to prepare for lower prices. This view, I believe, is sound.

How far are farm prices out of line? The year 1939 is frequently used as the basis for comparing the relative rise in prices and incomes in recent years. Although that date is reasonably satisfactory for most commodities, it is not a particularly good benchmark for measuring the rise in agricultural prices. In that year farm prices were considerably lower than those of other commodities judging by the level of prices during the 1920's, a period in which we generally consider business as a whole was relatively good and in which the farmer was not particularly well off. Using 1926 as a base—probably a better year on which to base a comparison—the Bureau of



J. A. Guthrie

Labor Statistics shows that in 1939 farm prices were 12% lower than general wholesale prices. However, compared with 1926—or even with 1910-14, a period still more favorable to the farmer—farm prices are still too high at present.

Granted this fact, the important questions are, when and how far will they fall. For some time now we have expected that prices must drop, but they have not. In fact, since the beginning of 1947 they have risen about 10%. What are the basic factors determining the level of farm prices? The principal ones would seem to be the following: (1) total purchasing power available to the consumer; (2) the percentage of that income the consumer chooses to spend on farm products rather than on other commodities; (3) the available supply of agricultural products in relation to consumer wants, and (4) the foreign taking of farm products.

As yet I see no clear evidence of an immediate decline in consumer purchasing power. Many economists and businessmen believe that by the second half of 1947 purchasing power in the hands of consumers will have diminished. But barring a wide-scale renewal of labor troubles or some unforeseen contingencies, I believe that consumer income will remain high during the present year. This will tend to prevent farm prices from sagging. A de-

(Continued on page 36)

\*Paper presented by Prof. Guthrie at Pacific Northwest Conference on Banking, Pullman, Wash., April 20, 1947.



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## Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

**Bank and Insurance Stock Digest**—Discussion of yields—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Also available is the **Insurance Stock Analyzer** as of Dec. 31, 1946.

**Comparison and Analysis 1st Quarter 1947** of 19 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Industrial America**—Brochure listing securities in various industries, indicating trends and outlook—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Also available is a **Graphic History of Industrial America** since 1849.

**Public Utility Common Stocks**—Brief sketches of 10 stocks set up in "package" form—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is a monthly statement of income for the 10 stocks.

**Railroad Developments of the Week**—Current developments affecting the rails—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is a discussion of **Missouri Pacific System Bonds**.

**Railroad Equipment Certificates**—Valuation and appraisal—Stroud & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of **City of Philadelphia Bonds**.

**When Is the Time to Stop Selling?**—Current letter on securities market and business outlook—Hess, Blizzard & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

**American Radiator & Standard Sanitary Corp.**—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

**Aspinook Corporation**—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.**; **Hartford Empire**; **Lanova Corp.**; **Mohawk Rubber**; and **Taylor Wharton Iron & Steel**; **Puroator Products**; **Upson Corp.**; **Alabama Mills**; **Pfaudler, Corp.**; **United Artists**; **Vacuum Concrete**; **Barcala Mfg.**

**Boston & Maine Railroad**—Circular—Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

**Central Public Utility Corp.**—Memorandum—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

**Central and South West Corp.**—Detailed memorandum and summary—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are memoranda on **Mobile Gas Service Corp.**; **National Fuel Gas Co.**; **Northern Indiana Public Service Co.**; and **Public Service Co. of Indiana**.

**Columbian Carbon Co.**—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

**Consolidated Dearborn Corp.**—Circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available is a circular on **Foundation Company**.

**Continental Casualty Co.**—Detailed memorandum—William Blair & Co., 135 South La Salle Street, Chicago 3, Ill.

Also available is a comparative table of 10 largest stock casualty insurance companies.

**L. A. Darling Co.**—Descriptive brochure and annual report—Moreland & Co., Penobscot Building, Detroit 26, Mich.

**Doehler-Jarvis Corp.**—Memorandum—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

**Finch Telecommunications, Inc.**—Analysis and literature prepared by the company descriptive of the product—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Also available for dealers only are a list of active industrial stocks.

**Fort Wayne Corrugated Paper Co.**—common stock—Descriptive brochure—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

**Franklin County Coal Corp.**—Detailed analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Mfg. Co.**, **Long Bell Lumber Co.**, **Miller Manufacturing Co.**, and **Old Ben Coal Corporation**.

**Hotels Statler Co., Inc.**—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

**James Manufacturing Company**—Descriptive memorandum—Also available is a study of **Wisconsin Power & Light Company**—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

**Kingwood Oil Co.**—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

**Lime Cola Co.**—Late data—Thornton, Mohr & Co., First National Bank Building, Montgomery 4, Ala.

**New England Gas & Electric Association**—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

**Philadelphia Transportation Co.**—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **H. H. Robertson Co.** and **Eastern Corp.**

**Pittsburgh, Cononsburg & Washington Railway Co.**—Discussion of speculative possibilities—H. M. Byllesby and Co., Stock Exchange Building, Philadelphia, Pa.

**Prentiss-Wabers Products Co.**—New analysis—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

**Public National Bank & Trust Co.**—First quarter analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an offering circular on **Stern & Stern Textiles, Inc.**

**Ralston Steel Car Co.**—Up-to-date Circular—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Rockwell Manufacturing Co.**—Analysis—Steiner, Rouse & Co.,

25 Broad Street, New York 4, N. Y.

**Tennessee Products & Chemical Corp.** (formerly Tennessee Products Corp.)—Memorandum—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

**Terra-Lite**—Circular—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

**Tide Water Power Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Utica & Mohawk Cotton Mill, Inc.**—Circular—Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

## L. H. Brown Optimistic On Wage-Price Outlook

Despite current changes in the buying power of the dollar, the great majority of Americans will find their position better than in the past, Lewis H. Brown, chairman of Johns-Manville Corporation, predicted at "an Informal Stockholders' Meeting" in the Hotel Roosevelt in New York City April 24.

"In World War II, factory hourly wages have risen 83% or just about the same amount as the cost of food, up 85%, and finished goods, up 77%," said Mr. Brown. "As we all know, wages are still rising and the current wave of increases may well push the figure up to 95 or 100% greater than 1939," he continued.

"The period of stabilization will bring some decline in prices. Since there has been less general inflation this time than in the last war, prices (including food) will not be deflated as they were then. Indications are that wages will be deflated very little if at all. Therefore, as prices come down, the buying power of the factory worker will increase although not as much as after World War I."

"We do not yet know just where prices will be stabilized," Mr. Brown concluded, "but we believe that in spite of the changing buying power of the dollar, 90% of the American people are now and will continue to be relatively better off than in the past."

## John E. Wheeler Opens Own Investment Office

**SPECIAL TO THE FINANCIAL CHRONICLE**  
LOS ANGELES, CALIF.—John E. Wheeler is engaging in the securities business from offices at 629 South Spring Street. Mr. Wheeler was formerly with Turner-Poindexter & Co. He is a member of the Los Angeles and Chicago Stock Exchanges.

## Earle W. Tate With Delmer & Co., Chicago

**SPECIAL TO THE FINANCIAL CHRONICLE**  
CHICAGO, ILL.—Earle W. Tate has become associated with Delmer & Co., 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Tate was formerly an officer of the Commonwealth Investment Corp. In the past he conducted his own investment business in Chicago.

## With Merrill Lynch Firm

**SPECIAL TO THE FINANCIAL CHRONICLE**  
OAKLAND, CALIF.—W. F. Smith has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street.

# Leadership—Obligation of Business Management

By HENRY FORD, II\*

President, Ford Motor Company

Leading manufacturer contends rights in a democracy have obligations, and right to free enterprise entails responsibility of leadership. Says business must aim for higher living standards and better sense of partnership with the American people. Stresses human relations in industry and expresses confidence American industry will devote its traditional enterprise and energy in setting pattern of life under human freedom.

I am very happy to be here.

For several reasons I feel very much at home. Many of the

members of the Chamber of Commerce of the United States are manufacturers who make parts and materials for Ford cars and trucks. More than 3,300 of our dealers belong to Chambers of Commerce in communities throughout the United States.

The extent to which all of us as businessmen depend on each other is not, I think, fully realized by the American people. The Ford Motor Co., for example, relies on nearly 6,000 other companies for the materials, supplies, parts, and services which keep us going, and on almost 8,000 other enterprises to distribute our products.

\*An address by Mr. Ford at Organization Night Dinner of 35th Annual Meeting of the U. S. Chamber of Commerce, Washington, D. C., April 29, 1947.



Henry Ford, 2nd

What I would like to discuss with you this evening are certain problems which I believe we all have in common.

There probably never was a moment in history when people everywhere wanted so very much to get along with one another as they do now. We all want peace—now and for all time. We are all very conscious of the new and terrible power of atomic energy, and of the horrible consequences of another world war.

We want better understanding and greater unity at home, too. We see the costs of domestic discord. We realize that we have scarcely scratched the surface of what united effort by and for a free people can do when we remember what we accomplished in our war effort.

I think, also, we all feel that peace at home and peace abroad are related. We know that if America is to be strong enough to carry its new responsibilities for peace throughout the world, we must be united and productive at home.

If progress is to be made toward the great future that can be achieved for all people, we know

(Continued on page 51)



## NSTA Notes

### NSTA MUNICIPAL COMMITTEE & REPRESENTATIVES

The following is the complete list of Municipal Committee and local representatives of the National Security Traders Association for the current year:

Ludwell & Strader, Chairman, Scott, Horner & Mason, Inc., Lynchburg, Virginia; Stanley G. McKie, Vice-Chairman, Weil, Roth & Irving Co., Cincinnati, Ohio; H. Frank Burkholder, Equitable Securities Corp., Nashville, Tenn.; Harold R. Chapel, McDonald-Moore & Co., Detroit, Mich.; Russell M. Ergood, Jr., Stroud & Company, Inc., Philadelphia, Pa.; J. Creighton Riepe, Alex. Brown & Sons, Baltimore, Md.

### Local Municipal Representatives

James W. Means, Trust Co. of Georgia, Atlanta, Ga.; Gustave Klein, Mead Miller & Co., Baltimore Md.; F. Brittain Kennedy, F. Brittain Kennedy & Co., Boston, Mass.; Edward B. Wulbern, R. S. Dickson & Co., Inc., Charlotte, N. C.; Don G. Miehl, Wm. Blair & Co., Chicago, Ill.; Neil Ransick, Chas A. Hirsch & Co., Cincinnati, Ohio; Joe B. Warren, Dallas Rupe & Son, Dallas, Texas; Charles C. Bechtel, Watling, Lerchen & Co., Detroit, Mich.; Andrew L. Tackus, Putnam & Co., Hartford, Conn.; Lewis Pollock, Eddleman-Pollock Co., Houston, Texas; John F. Kelsey, Wm. R. Staats Co., Los Angeles, Calif.; P. M. Conway, Bankers Bond Co., Louisville, Ky.; R. Wendell Spragins, R. W. Spragins & Co., Memphis, Tenn.; Oscar M. Bergman, Allison-Williams Co., Minneapolis, Minn.; Q. R. Ledyard, J. C. Bradford & Co., Nashville, Tenn.; J. William Roos, MacBride, Miller & Co., Newark, N. J.; J. Wallace Kingsbury, Kingsbury & Alvis, New Orleans, La.; J. Monroe Alleman, Leedy, Wheeler & Alleman, Orlando, Fla.; Eliwood S. Robinson, Phillips, Schmertz & Robinson, Philadelphia, Pa.; Silas J. Titus, Phillips, Schmertz & Robinson, Pittsburgh, Pa.; Charles N. Tripp, Jr., Chas. N. Tripp Co., Portland, Ore.; Mark A. Smith, F. W. Craigie & Co., Richmond, Va.; E. Kenneth Hagemann, G. H. Walker & Co., St. Louis, Mo.; Harvey J. Franklin, American Trust Co., San Francisco, Calif.; Donald A. Meyers, Foster & Marshall, Seattle, Wash.; Carl F. Bargmann, Braun, Bosworth & Co., Toledo, Ohio; Harry J. Peiser, Ira Haupt & Co., New York, N. Y.

### SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York, Inc., held their 11th Annual Dinner last Friday evening, April 25, at the Waldorf-Astoria.

A gala show was presented and more than 1,500 members and guests attended coming from all points of the United States and Canada. Many distinguished gentlemen attended as honored guests of the Association.

Michael J. Heaney of Joseph McManus & Co., President of the Traders Organization presided, and Leslie Barbier of G. A. Saxton & Co., Inc. was Chairman of the Arrangements Committee.

## Pennsylvania Brevities

### Philadelphia Electric to Spend \$200,000,000

Horace P. Liversidge, President of Philadelphia Electric Co., told stockholders at the annual meeting that the company's expansion program had been revised upward to cost an estimated \$200,000,000 over a five-year period. Latest plans call for a new 165,000 kilowatt unit for the northeast Philadelphia plant.

In commenting on the method of financing the expansion program, Mr. Liversidge stated that approximately \$40,000,000 is available from the 1946 financing, that about \$75,000,000 will be available from reserves, earnings and general cash and the remaining \$85,000,000 will be obtained from new permanent financing. "We anticipate that none of the new money will be needed this year or the next, but in all likelihood will be required during the three years 1949 to 1951," he said.

Mr. Liversidge reported that earnings are holding at about the levels of the corresponding 1946 period. The company reports each quarter on a 12 months' basis. After dividends on the preferred and preference stocks, earnings for the period ending March 31, 1947, were reported as \$1.68 per common share.

### Huge Mortgage Loan Potential

Samuel A. Green, President of First Federal Savings & Loan Association and Chairman of Federal Savings & Loan Group of Philadelphia and vicinity, foresees a \$12 billion in the Philadelphia area.

There are approximately 300,000 veterans of World War II in the area, he points out. Of these he considers 200,000 as potential home buyers. "Even if the estimated \$12 billion mortgage market were to be stretched over a period of 10 years," he said, "it would mean a yearly increase in mortgage lending of \$1,200,000,000, a sum far greater than the mortgage financing industry of Philadelphia has ever experienced."

"The paramount task of our Federals in the coming year will be to promote the thrift and saving habits of the general public," he said, "and to acquaint financial institutions, fiduciaries and other enterprises with the feasibility of investing funds in Federals."

### Lehigh Coal & Navigation Co.

Although first quarter earnings were sharply reduced by a strike, Robert V. White, President of Lehigh Coal & Navigation Co., told stockholders at the annual meeting that operations in March, after the strike ended, were sufficient to bring three months consolidated net to \$294,960. This compares with \$652,000 in the similar 1946 period. Mr. White estimated that 1947 results would probably be about the same as 1946, when consolidated net was \$2,701,535. It was announced last week that the company has arranged to borrow \$3,500,000 from a banking group headed by Philadelphia National Bank. The loan is at the rate of 2½% up to Dec. 31, 1949, and at 2¾% thereafter until 1951.

### Customers' Brokers Club of Phila.

William H. Arnold, Eastman,

Dillon & Co., has been elected President of Customers' Brokers Club of Philadelphia. Henry H. Hallowell, Sulzberger & Co., was elected Vice-President and R. G. Sinclair, Secretary and Treasurer.

Those elected to the Executive Committee were: J. Shipley Dixon, Brown Bros. Harriman & Co.; H. H. McKiernan, Reynolds & Co.; Loring Dam, Eastman, Dillon & Co.; Hibberd W. Roberts, Merrill Lynch, Pierce, Fenner & Beane; Theodore Eckfeldt, Brown Bros. Harriman & Co.; Edwin Michaels, DeHaven & Townsend, Crouter & Bodine, and George W. Martyn, W. E. Hutton & Co.

### Birdshore Steel Foundry & Mach.

Company's annual report for 1946 reports a loss of \$397,069 from operations. It is expected, however, that carry-back provisions of the Internal Revenue Code will result in a recovery by the company of about \$375,000. Net sales for 1946 are reported at \$4,176,124, compared with \$6,678,795 for 1945.

### Pennsylvania Municipals

According to municipal bond market index prepared by E. H. Rollins & Sons, Philadelphia, the average yield from Pennsylvania obligations has stabilized in the last three weeks. Five authority bonds and 10 general obligations, all with 20-year maturities, indicate yields of 2% and 1.81%, respectively.

### Strawbridge & Clothier

At the annual meeting April 23, Dwight G. Perkins, President of Philadelphia's Strawbridge & Clothier, told stockholders that sales thus far in the fiscal year which began Feb. 1 have shown improvement but that expenses had increased, acting as "restraining influence on profits."

Net profits for the 12 months ended Jan. 31, 1947, amounted to \$4,615,861, equal to \$7.21 on the present common shares, compared with \$2.28 for the previous fiscal year.

Last year 82.7% of company's 6% prior preference stock was exchanged on a share for share

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basis for \$5 cumulative preferred stock. Unexchanged shares were called as of March 31.

Mr. Perkins stated that it has not been necessary to call on any portion of a reserve which amounted to \$1,550,125 on Jan. 31 and which had been set up as a cushion against possible future downward price revisions. Company's working capital is approximately \$10,000,000.

### P. T. C. Revenues Fall

In its report for the first quarter of 1947, Philadelphia Transportation Co. reflects gross income of \$1,201,273, compared with \$2,025,156 for the same period in 1946. The company attributed the decline to increased wage scales paid to employees, higher payments to the city for Broad Street subway rental and to heavy snowfalls involving an estimated \$450,000 in removal costs and loss in revenue.

### Warner Company Expands

Shortly after V-J Day, Warner Company started an improvement plan to cost an estimated \$1,800,000, of which \$1,500,000 had been expended by Dec. 31, 1946. This program has now been revised upward to embrace expenditures of about \$5,000,000. It is anticipated that additions and improvements will be completed by the spring of 1948.

Charles Warner, President, in his message to stockholders, states "for some years to come, the full capacity of our present plants and transportation services will be inadequate in view of the increase in construction contemplated in this area. The active plans for both public and private construction are now larger than at any time in our history. It is the belief of your management that this five to seven-year wave of construction will start to roll within the coming year and we must be more fully prepared. To this end, in our building materials operations, we contemplate an increase in productive capacity of approximately 30%."

No additional stock issue of the

company will be necessary so far as present plans are concerned.

### Scott Paper Co.

Thomas B. McCabe, President of Scott Paper Co., Chester, Pa., announced a first quarter increase in earnings from 51 cents to 65 cents per share. Mr. McCabe stated that the company had been successful in absorbing a very substantial portion of higher payroll and increased material costs. Prices for Scott products, he said, now average 26% above levels prevailing at the end of 1941, while the average price of wood pulp has risen over 100% in the same period.

### Westinghouse Electric Co.

PITTSBURGH.—G. A. Price, President, told annual meeting that Westinghouse Electric Co.'s first quarter production set a new peacetime record of \$140,121,973, compared with \$128,772,896 for the last 1946 quarter. As of March 31, unfilled orders of \$642,090,960 constituted the largest peacetime backlog in company's history.

### Budd Co. First Quarter

Based on results for the first two months, indications are that Budd Co.'s first quarter net will be about \$1,700,000, equivalent to 47 cents per common share after charges, Federal taxes and preferred dividend. Present company was formed last year through merger of Edward G. Budd Manufacturing Co. and Budd Wheel Co., hence no comparable figures are available. Current backlog of around \$180,000,000 is largest in history of the combined companies.

### James Lees Co.

James Lees and Sons Co., Bridgeport, Pa., manufacturers of carpets and yarns, announces net profits of \$1,011,524 for the first quarter of 1947 after allowance for estimated taxes. This is equivalent to \$1.20 per common share after preferred dividends. Net sales for the quarter were reported as \$9,861,588.

### WHEN IS THE TIME TO STOP SELLING ?

An interesting point of view on the securities market and business outlook is contained in a current letter to us from an unusually well-informed source.

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David T. Miralia, who is in charge of the Municipal Bond De-



David T. Miralia

partment of the New York office of Halsey, Stuart & Co. Inc., 35 Wall Street, has been elected a vice president of the company.

**Cincinnati Municipal Bond Dealers Party**

CINCINNATI, OHIO—The Municipal Bond Dealers' Group of Cincinnati announced that they will hold their spring party June 16-17.

**Chapin & Co. Admits Beyer As Partner**

DETROIT, MICH. — John F. Beyer has been admitted to partnership in Chapin and Company, Penobscot Building, members of the Detroit Stock Exchange.

**Burgess Battery Co. Com.**  
**Chgo. Auro. & Elgin Ry. Units**  
**\*Franklin County Coal Corp.**  
**Ft. Wayne Corrugated Paper**  
**Holeproof Hosiery Co.**  
**Howard Industries, Inc.**  
**\*Hydraulic Press Mfg. Co.**  
**\*Long-Bell Lumber Company**  
**\*Miller Manufacturing Co.**  
**Oil Exploration Co. Com.**  
**\*Old Ben Coal Corporation**  
**Trailmobile Company**

\*Detailed analysis available on request

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**Report Business Mixed—  
With Declines Predominating**

Business Survey Committee of National Association of Purchasing Agents, headed by Robert C. Swanton, sees lack of confidence in present prices stemming from government pressure. Reports buying policy further tightened.

The April report of the Business Survey Committee of the National Association of Purchasing Agents under the Chairmanship of Robert C.



Robert C. Swanton

Swanton, Director of Purchases of the Winchester Repeating Arms Corporation, announces that for the first time since decontrol, the number of purchasing agents reporting declines in business have exceeded those reporting increases, and ascribes the situation in part to a lack of confidence in present prices. Says the report:

"For the first time since decontrol, more Purchasing Agents report a decline than report an increase in business. The number reporting continued high, production and sales remains about the same as in the past few months—70%. Trimming and balancing production to the available materials and labor is one cause for the slight decline indicated. Another, and perhaps more far-reaching element, is the lack of confidence in present prices stemming from government pressure to reduce them and the increasing consumers' resistance being registered. The reports do not forecast an immediate general recession but, rather, a period of scattered readjustments as industry marks time awaiting the price effects of current wage negotiations.

"Prices are reported almost static, with a slight downward trend—the first real indication of price reductions in months. Considering the present cost of inventories and wages, it is believed most industrial price reductions in the next few months will come out of profits and will not reflect a lowering of basic commodity prices.

"In the background, getting ready for production, are many new items, the results of months of engineering and research work in designing away from scarce and unreasonably overpriced materials. Purchasing Agents must watch these developments closely.

"Industrial inventories are definitely lower in April. One-third of our reports show this condition. Continued efforts are being made to reduce and maintain at lowest workable levels. Improved and regularly scheduled deliveries are making this possible, and

also permit better balancing. Those reporting increased inventories say 'due to needed goods coming in after delayed production.' Inventories of finished goods are tending higher in several industries.

"Buying policy is being tightened further. 90% fall into a 1 to 3 months' commitment bracket, with one-half of these reporting limits of 'hand-to-mouth' up to 60 days. The effect of the generally shorter-term commitment policy over the past three months is reflected in the Inventory and Business Condition sections of this report. The policy of making forward commitments which protect only current production schedules continues.

"Outstanding is the reduction in price of steel scrap with dealers reporting heavy shipments to mills in the face of a much publicized scarcity. Other price reductions: anthracite coal, turpentine, leather, some farm commodities and lumber.

"Hardwoods in better supply; plumbing and electrical supplies becoming competitive. Textiles, particularly woollens, are off; also, vegetable oils, glycerine, acetate and butyrate molding compounds. Brass sheet and strip are on better delivery, with steel drums and nails reported easier.

"Price increases were few and not general in the reports. Alcohols up and in short supply. Copper, lead, tin and antimony still very tight. Dry colors up in price; formaldehyde short. Polystyrene may temporarily be short because of Texas City disaster. Malleable and gray iron castings critical. Specialty papers and newsprint up; refractories up. Building materials expected to increase with better quality.

"The April reports indicate that the upturn in employment of the past few months has ended. Those reporting lower a little more than balance off those showing greater employment. Some areas report the peak has been reached, with more applications than can be filled. Others report more jobs if men were available. Indications are for shorter hours instead of layoffs if business declines.

"Business remains at a high level with slight indication of any decline. Prices are higher following decontrol of many more items. Inventories and buying policy following the same pattern as in the United States.

"Employment continues high."

**PUBLIC UTILITY PREFERRED STOCKS**

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 \*Black Hills Power and Light Company  
 \*Central Illinois Electric and Gas Company  
 \*Central Illinois Public Service Company  
 \*Indiana and Michigan Electric Company  
 \*Iowa Electric Company  
 \*Iowa Electric Light and Power Company  
 \*Iowa Public Service Company  
 \*Minnesota Power and Light Company  
 \*Montana Dakota Utilities Company  
 \*Northern Indiana Public Service Company  
 \*Northern States Power Company  
 \*Northwestern Public Service Company  
 \*Public Service Company of Indiana, Inc.  
 \*Public Service Company of New Hampshire  
 \*Sioux City Gas and Electric Company  
 \*Southwestern Public Service Company  
 \*United Public Utilities Corporation

\*Prospectus upon request

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**A Plea for Broader Export Credits**

By A. M. STRONG\*

Vice-President, American National Bank of Chicago

Bank executive, asserting extension of credits in foreign markets is no more hazardous than domestic credits, calls for wider foreign credit financing on reasonable terms and consistent with safety. Points out our foreign trade is on competitive basis, and more liberal credit terms by foreign exporters has handicapped our sales in Latin America.

The financial terms of an export sale and the credit policy of the exporter are the governing factors in the development of foreign



A. M. Strong

its inception.

The extension of credit in foreign markets differs only in one respect from the extension of credit in domestic trade. In a domestic transaction the seller is concerned only with the credit standing and responsibility of the buyer while in a foreign transaction he must also be concerned with economic conditions in the buyer's country. In foreign trade there are two risks. The credit risk; that is, non-payment by the foreign buyer, and the transfer risk—non-payment because of ex-

\*Opening remarks of Mr. Strong at the World Trade Forum sponsored by the Illinois Manufacturers' Association, Chicago, Ill., April 24, 1947.

change blocking or other government regulations restricting the purchase of dollars for transfer to the American seller. It is expected that the transfer risk will be minimized through the operations of the International Monetary Fund.

Many manufacturers and exporters in our area are under the impression that the extension of credit in foreign markets is a hazardous business. They feel that the safest way to sell abroad is for cash. Many are paying a high rate of interest for this arrangement. When a discount of 2 or 3% is allowed on a shipment collectable within 30 days, it equals an interest rate of between 24 to 36% per annum. This expense is added to the selling price, thereby increasing the cost of the goods.

Selling on a cash basis had a minor effect on our foreign trade during the period of scarcity when we were in a seller's market; however, we are now witnessing the gradual return to a buyer's market, and buyers abroad are beginning to look for more liberal terms.

The European credit policy in Latin America and elsewhere has always been more liberal than ours. This policy is supported by many governments through credit insurance and other aids to ex-

(Continued on page 45)

**The Outlook for Interest Rates**

By G. RIPLEY CUTLER

Investment Supervision Department, Estabrook &amp; Co.

Investment analyst holds present interest rate levels are due more to natural forces than to rigid government controls, and ascribes low rates to heavy increase in money supply. Says Federal Reserve Banks cannot do much to raise present long-term rates, and concludes, unless there is profound change in public psychology and state of public confidence, only gradual rise in rates may be expected for several years.

There seems to be a widespread belief among certain groups of investors that existing low rates of interest are artificial. Those who hold this view think that interest rates have been maintained at present levels only through the exercise of rigid government controls, and that if "natural forces" were allowed to function freely, interest rates would rise. This opinion generally carries with it the implication, whether spoken or unspoken, that such a rise would be beneficial to business.

We sometimes wonder whether financial commentators have any clear idea what they mean when they speak of the natural forces that govern interest rates. It is not easy to say just what these forces are. As a matter of fact, the problem of how interest rates are determined is one of the most hotly debated in the entire field of economics.

**What Is Interest?**

Interest has been variously defined as the price paid for the use of capital—the price of waiting—the preference for present over future goods—the reward for parting with liquidity. As far as we can judge, the commonly accepted theory of interest is that which states that the rate is determined by inter-action between the demand for investment funds

and the supply of savings. Or to put the same idea in different words, the interest rate is the price which brings the supply and demand for investment funds into balance. This doctrine has had a long history. Its formulation by Professor Schlichter of Harvard, in 1931, when he wrote that "the rate of interest tends to be fixed at the point where the quantity of money which lenders are willing to lend and the amount which borrowers are willing to borrow are equal" is practically identical with the words of John Stuart Mill written 80 years before.

More recently, the validity of this theory has been contested by John M. Keynes. According to Keynes' teaching, interest rates are determined by what he calls the "liquidity-preference" of individuals and by the quantity of money (cash plus bank deposits) available at any given time.

It would be hazardous for the layman to enter into the merits of this controversy between Lord Keynes and his predecessors. What must be apparent to every student of the subject is the importance attached by most econ-

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# \$300,000,000

## State of Illinois

### Service Recognition Bonds Series A

Dated May 1, 1947. Principal and annual interest, May 1, payable at the office of the State Treasurer in Springfield, Illinois. Under existing arrangements with the Treasurer of the State, both principal and interest on these bonds may, at the option of the holder, be collected at the Continental Illinois National Bank and Trust Company in Chicago or The Chase National Bank in New York. Owing to the lack of express legal authority the continuance of the holders' option of collection in New York or Chicago cannot be guaranteed but the discontinuance thereof is not anticipated. Coupon bonds in denomination of \$1,000 registerable as to principal if desired. Temporary bonds will be delivered pending issuance of definitive bonds.

**Interest exempt, in the opinion of counsel, from all present Federal Income Taxes**

**Legal Investment, in the opinion of counsel, for Savings Banks and Trust Funds in New York, Illinois, Massachusetts, Connecticut and certain other States**

THESE SERVICE RECOGNITION BONDS, the first part of an authorized issue of \$385,000,000 ratified at an election held November 5, 1946, will, in the opinion of counsel, constitute full faith and credit obligations of the State of Illinois. Certain special taxes are specifically pledged and general property taxes may be levied without limit as to rate or amount on all the taxable property within the State to provide funds for the payment of principal and interest on these bonds.

#### MATURITIES—COUPON RATES—YIELDS OR PRICES

**\$12,500,000 bonds maturing annually May 1, 1949 to May 1, 1972, inclusive, without option of prior payment**

Due	Coupon Rate	Price or Yield	Due	Coupon Rate	Price or Yield	Due	Coupon Rate	Price or Yield	Due	Coupon Rate	Price or Yield	Due	Coupon Rate	Price or Yield
1949	1½%	.75%	1954	1½%	1.15%	1959	1½%	1.40%	1964	1¾%	1.65%	1969	1¾%	99¾
1950	1½%	.85%	1955	1½%	1.20%	1960	1½%	1.45%	1965	1¾%	1.70%	1970	1¾%	99½
1951	1½%	.95%	1956	1½%	1.25%	1961	1¾%	1.55%	1966	1¾%	1.70%	1971	1¾%	99¼
1952	1½%	1.05%	1957	1½%	1.30%	1962	1¾%	1.60%	1967	1¾%	100	1972	1¾%	99
1953	1½%	1.10%	1958	1½%	1.35%	1963	1¾%	1.65%	1968	1¾%	100			

*Offered for delivery when, as, and if issued and received by us and subject to approval of legality by Messrs. Chapman and Cutler, Attorneys, Chicago, Illinois.*

*The offering circular may be obtained in any state from only such of the underwriters, including the undersigned, as may legally offer these bonds in such State.*

The First National Bank of Chicago	Harris Trust & Savings Bank	The Northern Trust Company	Continental Illinois National Bank and Trust Company OF CHICAGO
The National City Bank of New York	The Chase National Bank	Bankers Trust Company	First National Bank New York
Chemical Bank & Trust Company	The First Boston Corporation	Smith, Barney & Co.	Bank of America N. T. & S. A.
Glore, Forgan & Co.	Drexel & Co.	C. J. Devine & Co. Inc.	Blyth & Co., Inc.
Salomon Bros. & Hutzler	Harris, Hall & Company (Incorporated)	A. G. Becker & Co. Incorporated	Harriman Ripley & Co. Incorporated
John Nuveen & Co.	The Illinois Company	Paine, Webber, Jackson & Curtis	Lehman Brothers
Barr Brothers & Co. Inc.	Equitable Securities Corporation	Estabrook & Co.	Merrill Lynch, Pierce, Fenner & Beane
Braun, Bosworth & Co. Incorporated	First of Michigan Corporation	The First National Bank OF PORTLAND, OREGON	R. H. Moulton & Company
Stranahan, Harris & Co. Incorporated	B. J. Van Ingen & Co., Inc.	Weeden & Co., Inc.	Seattle-First National Bank
Eastman, Dillon & Co.	Hallgarten & Co.	Hemphill, Noyes & Co.	Alex. Brown & Sons
Adams, McEntee & Co. Incorporated	American National Bank and Trust Company OF CHICAGO	Bacon, Whipple & Co.	C. F. Childs and Company Incorporated
R. S. Dickson & Company Incorporated	Francis I. DuPont & Co.	Heller, Bruce & Co.	White, Weld & Co.
L. F. Rothschild & Co.	Schoellkopf, Hutton & Pomeroy, Inc.	Kean, Taylor & Co.	The Wisconsin Company
		Trust Company of Georgia	Julien Collins & Company
			Martin, Burns & Corbett, Inc.
			Whiting, Weeks & Stubbs

April 30, 1947

## Bank and Insurance Stocks

By E. A. VAN DEUSEN

### This Week — Bank Stocks

A good deal of interest is being evidenced in the problem of rising bank costs. Cost of bank operation has increased rather rapidly, especially during the past year, with a consequent narrowing of the profit margin, and some lowering in certain instances of net operating earnings. It presents a knotty problem, for costs have risen faster than has gross income, and no simple way out is visible.

The obvious answer is—**increase gross income and improve efficiency.** But this is too easily said.

An interesting discussion of the problem is presented in the April, 1947, issue of "The Burroughs Clearing House," by Arthur Van Vlissingen, in which he presents a survey of some authoritative ideas on the subject. The author cites among other references, a study published by the Economics Department of Bankers Trust Co., New York, in September, 1946, entitled "Outlook for Bank Earnings: 1946-1948," (reviewed in this column, Nov. 14, 1946), which predicted that operating expenses in 1946 would exceed those of 1945 by 15%, that 1947 expenses would be 8% higher than in 1946, and

1948 expenses would be 3.5% over 1947. However, the report also estimated higher net operating earnings for 1947 and 1948. In view of the importance of the subject, the above two contributions to the topic are called to the attention of the readers of this column.

It may be of interest to present the record of Guaranty Trust and of Manufacturers Trust, as revealed in the figures presented in their annual reports to stockholders.

In the case of Guaranty Trust, operating figures on a comparable year by year basis are presented for the years 1941 to 1946, inclusive, in the following table:

GUARANTY TRUST							
Year—	Gross Oper. Income (000)	Total Oper. Expenses (000)	Ratio Expenses to Income %	Deposits (000)	Ratio Expenses to Deposits %	Capital Funds (000)	Ratio Expenses to Cap. Funds %
1941	\$29,198	\$16,082	55.0	\$2,447,972	.66	\$277,001	5.8
1942	30,361	15,477	51.0	2,289,225	.67	279,471	5.5
1943	36,085	19,467	53.9	2,758,837	.71	285,453	6.8
1944	41,083	22,764	55.4	3,190,800	.71	296,054	7.7
1945	46,714	29,557	63.3	3,469,405	.85	307,374	9.6
1946	46,593	28,520	61.2	3,100,758	.92	317,477	9.0
MANUFACTURERS TRUST							
1941	23,613	13,516	57.2	949,477	1.42	82,578	16.4
1942	24,791	14,578	58.8	1,041,291	1.40	84,685	17.2
1943	25,362	15,829	62.4	1,416,802	1.12	87,562	18.1
1944	29,440	18,178	61.7	1,694,392	1.07	91,056	20.0
1945	34,551	23,123	66.9	2,145,421	1.08	95,813	24.1
1946	38,191	26,991	70.7	2,343,557	1.15	116,105	23.2

NOTE—Operating income excludes security profits; expenses include taxes. Deposits and capital funds as of June 30 each year.

#### Guaranty Trust

It will be observed that over this six-year period, gross operating income increased 59.6%, but that operating expenses increased 77.4%, with the result that the ratio of operating expenses to operating income increased from 55.0% to 61.2%. Over the same period deposits increased 26.7% and the ratio of expenses to deposits increased from 0.66% to 0.92%. Total capital funds increased 14.6%, and the expense ratio from 5.8% to 9.0%.

Further analysis of operating expenses, so far as detailed in the annual reports, shows salaries and wages over the period to have increased from \$7,939,000 to \$11,-

574,000, an increase of \$3,635,000, or 45.8%; other current operating expenses, including taxes, increased from \$8,064,000 to \$16,834,000, a rise of \$8,770,000, or 108.8%. However, the latter figure includes taxes on investment security profits which were lower in 1946 than in 1945, and presumably accounts for the decline in 1946 total operating expenses from 1945.

Similar figures for Manufacturers Trust over the same period are also presented.

#### Manufacturers Trust

Gross operating income increased 61.7% between 1941 and 1946, but operating expenses in-

creased 99.7%, with the result that their ratio to income moved up from 57.2% to 70.7%. Deposits rose 146.8%, thus the expense ratio to deposits declined from 1.42% to 1.15%. Capital funds increased 40.6%, and the expense ratio rose from 16.4% to 23.2%. It is of interest to compare this record with that of Guaranty, for in many respects the two are dissimilar.

Further analyses of the figures given in the annual reports shows salaries and wages over the six years to have risen from \$6,623,000 to \$12,398,000, an increase of \$5,775,000, or 87%. Other current operating expenses increased by \$6,894,000, or 102.5%, from \$6,699,000 to \$13,593,000. Much of this increase appears to have been in interest paid and taxes.

It is unfortunate for bank stock analysts, and by the same token for the banks' shareholders and for bank stock investors in general, that the banks do not publish operating statements that are more revealing of the details of their operations and operating results, and on a uniform basis. It is impossible for example, to compare accurately and fairly, the operations of Guaranty Trust and Manufacturers Trust.

If insurance companies, railroads, public utilities, and airlines can report with reasonable uniformity and completeness in their fields, surely commercial banks, which are equally as indispensable to the economy as are the former, should be able to do likewise. There has been some improvement in recent years but not enough. There is still too much ambiguity, diversity and lack of detail; and too many lumped figures.

## Glassmeyer Appointed Blyth Syndicate Mgr.

Blyth & Co., Inc., 14 Wall Street, New York City, announces that Edward Glassmeyer, Jr., has been appointed syndicate manager with headquarters in New York. Mr. Glassmeyer graduated from Princeton University in 1936 and has since been associated with Blyth & Co., Inc., in New York as a member of the buying department. He served overseas in the OSS with the Army of Occupation and rejoined the corporation in May, 1946. Jo M. French, Vice-President, has been placed in charge of the firm's Southern California organization with headquarters in Los Angeles, 215 West Sixth Street.

## F. S. Smithers & Co. Celebrates 90 Years

F. S. Smithers & Co., 115 Broadway, New York City, members of the New York Stock and Curb Exchanges, today is celebrating the completion of 90 years of continuous service. The firm acts as underwriter and distributor of railroad, industrial, municipal and public revenue and public utility bonds.

Present partners are Arthur B. Lawrence, Charles F. Smithers, Peter J. Murphy, Charles F. Zeltner, Hamilton D. Schwarz and Walter W. Cooper.

## Snyder Cancels Press Conference

WASHINGTON, April 30 (Special to the "Chronicle")—Treasury Secretary Snyder's usual Thursday news conference was today cancelled to permit the Secretary to be with the visiting Mexican officials. President Miguel Aleman's party includes Mexican Secretary of Finance Ramon Beteta.

## Freedom and Labor Monopoly

By DONALD R. RICHBERG\*

Pointing out majority of people and Congressmen have come to understand that we cannot preserve our economic and political institutions and individual freedom by substituting labor leaders for captains of industry as autocratic rulers, Mr. Richberg attacks inconsistencies in use of injunctions by labor unions when such use is denied employers. Lays blame for labor policy to minority of labor leaders and denounces both irreconcilable employers on the right and trouble-making communists on the left.

My heart bleeds for this audience. You have ahead of you several hours of talk about Labor-Management problems.



Donald R. Richberg

Of course—

these problems are vital and interesting. They excite bitter debate. You would have a good time if you could understand what the speakers are trying to say.

They will all talk English. But they will use the same words to

express entirely different ideas. That is very confusing to an audience. That is confusing to the speakers themselves!

It seems to me that it would help to dissolve this confusion and to dispel some of the fog that is about to engulf you, if I were to provide you with a pocket dictionary of labor lingo.

Then you may know what the speakers are talking about and be able to make sense out of the

statements that otherwise may sound like nonsense.

Since my dictionary has not been printed, I cannot distribute it, and time will permit me only to quote a few sample definitions.

"Liberty"—Employer definition: Freedom from restraint by labor unions or government. Labor definition: Freedom from restraint by employers or government. Anarchist definition—Freedom from all restraint. Communist definition: A license to destroy self-government. Man-in-the-street definition: The power to do as one pleases.

For relief from these emotional, confusing uses of the same word, I submit a brief, accurate definition that anyone can use safely and honestly: Liberty is my freedom which the government protects by restraints upon your freedom.

This definition will warn you that when you hear a man demanding the protection of individual liberty and human freedom you should realize at once that the speaker is talking about his freedom, not about yours. A man's freedom to do what he wants to do always depends on preventing other people from doing what they may want to do.

My freedom to live in my house, to wear my own clothes, to walk the streets unmolested, de-

(Continued on page 58)

## Banish Pomp From Financial Advertising

By BERNICE FITZ-GIBBON\*

Advertising Director, Gimbel Brothers, Inc.

Advertising director scores "cold marble rhetoric" in financial advertising, and calls it "malarky." Lays blame on bank executives who eschew "the what-the-hell abandon" good writing requires.

Talking to retail or advertising groups (retail or agency) has become wearisome. Same old faces . . . same old chit-chat. BUT—

—talking to such elegant gents as you bank people was something else again. Besides, I had always heard that no female was permitted in the sanctified cloisters of the Lawyers Club. I demurred daintily for a day or two (just to egg Mr. McNeil into a better selling job) and then accepted with alacrity. The likes of me—farmer, country school teacher and copywriter—(in that order) talking to the likes of you—bankers or perhaps, more accurately, copywriters that work for banks—those elegant edifices with the cold marble pillars, run by icy executives who always age exquisitely and always seem to look a little like Lewis Stone—with distinguished iron grey at the temples. Like thousands of others, I've tiptoed into these marble fastnesses handing bits of paper and bits of money to dour faced men in cages, and tiptoed out again. That's all I know about banks and bankers—except for the cold marble rhetoric and the pious pronouncements that I have dug out and made myself read—in short, your financial advertisements.

Reading them, I admit, was

\*A talk by Mrs. Fitz-Gibbon before the Financial Advertisers Association of New York, New York City, April 23, 1947.

pretty hard going. In fact—finding them was pretty hard going. I read every kind of ad—national, retail, political, do-gooder, I have even read ads run by the National Association of Manufacturers. And was that tough going!

Well, as I was saying, I dug around in the columns of the New York "Times" until I unearthed some honeys. They were sober, pompous, and polysyllabic. They talked about a "challenge to leadership," about paying "rich dividends in economic stability and future security," they talked about the "challenge of a new era that demands the ultimate in achievement." One bank described itself as "a great institution founded on the cornerstone of service and courtesy." Most were "dedicated" (what a deadly word) to something or other.

One big commercial bank says, "You are invited to use the name (of this particular bank) on your checks. It is a symbol of strength and security." What a lot of malarky. If a check's good, it's good. Everybody will honor a check if the depositor has it covered. Imagine Gimbels saying this in an advertisement:

"You are invited to place this Gimbel waffle iron in your kit—"

(Continued on page 52)

### Earnings Comparison Fire & Casualty Insurance Stocks 1946

Circular on Request

#### Laird, Bissell & Meeds

Members New York Stock Exchange  
120 BROADWAY, NEW YORK 5, N. Y.  
Telephone: BR 4-3500  
Bell Teletype—NY 1-1248-49  
(L. A. Gibbs, Manager Trading Dept.)

### NEW JERSEY SECURITIES

#### J. S. Rippel & Co.

Established 1891  
18 Clinton St., Newark 2, N. J.  
Market 3-3430  
N. Y. Phone—REctor 2-4383

### WHOLESALE MARKETS IN BANK AND INSURANCE STOCKS

## GEYER & CO.

INCORPORATED

NEW YORK 5: 67 Wall Street  
WHITEHALL 3-0782 NY 1-2875

BOSTON 9 80 Post Office Square HUBBARD 0880 BR-307  
CHICAGO 4 231 S. LaSalle Street FRANKLIN 7538 CG-105  
LOS ANGELES 14 412 West Sixth Street MICHIGAN 2837 LA-1086  
SAN FRANCISCO 4 Russ Building SUTTER 6867 SF-373  
PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, CLEVELAND, PHILADELPHIA, LOS ANGELES, SAN FRANCISCO  
TELEPHONES TO: Hartford, Enterprise 6011 Portland, Enterprise 7008 Providence, Enterprise 7008 Detroit, Enterprise 6066

## Inventories and Price Trends

Chapin Hoskins tells Management Association every business should have two policies, one for defense and another for offense. Urges study of basic conditions affecting price trends to be ready for action when new phase of circumstances arises.

Speaking at the Production Conference of the American Management Association in New York City on April 24, Chapin Hoskins, a



Chapin Hoskins

lifetime student of commodity price trends and forecasting methods, analyzed the various phases of price cycles and laid down policies for the "near" future and the "long" future. He urged records of prices be kept and studied by business firms, and definite policies be at hand at all times to meet changing conditions.

In the course of his remarks, Mr. Hoskins stated:

"In the last 50 years there have been four cycles, and part of a fifth cycle, in which wholesale prices in the United States have risen and fallen more than 10%. In the most recent of these cycles, prices rose from 1933 to 1937, then fell back into 1939. The rises and declines in any such cycle are sufficient to cause serious problems in the operation of a manufacturing business.

"On a longer and larger scale, prices rose 270% from 1897 to 1920, fell back 65% from 1920 to 1933; and have since risen 150% . . . Obviously, the rises and declines in these longer cycles have profound effects upon the conduct

of business. If you were to study the behavior of prices in either long or short cycles as you have already studied the behavior of materials in your factory processes, you would learn many things. With such differences in mind, you can effectively divide each price cycle into four parts:

"In the first part, which we may call phase A, practically all prices are rising. This was true from March 1933 until 1936.

"Next there comes a period in which, although the average is still rising, individual prices one by one turn downward. This we may call phase B.

"In phase C, which lasted from May 1937 into 1938, practically all prices are declining.

"In phase D, which ended in August 1939, the average is still declining, but individual prices turn upward one by one.

"Definitely, we have been in phase B, and it is even possible, now, that when the Bureau of Labor Statistics' weekly index declined in the week of April 5, we entered phase C, the phase in which the trend toward declining prices tends to become widespread.

### Policies for the Near Future

"Probably the most critical decisions of the current phase of price change have to do with inventory. Since the rising phase has ended for some prices, but not

(Continued on page 42)

## The War's Legacy for Banking

By ELLIOTT V. BELL\*

Superintendent of Banks, New York State

Supt. Bell traces effects of wars on our banking development. Points out trend toward bank nationalization abroad, but says here at home no aggressive sentiment for it exists. Contends, however, there is now more government participation in banking and credit operations and closer link of banks to government's fiscal policy, leading to less independence of banks in their portfolio management. Sees continued control of interest rates by Treasury.

In considering what I might talk to you about it seemed to me that it might be interesting and perhaps profitable to examine some of the principal effects upon private banking of the recent world war.

Wars have always had a profound effect upon social and economic institutions, including the institution of banking. It was the Civil War in the United States that brought about the creation of our national bank system, a system designed primarily to provide a market for the government's securities. It was that event, incidentally, which for the first time tied the nation's currency directly to the government debt and brought the banks into a close relationship with the Treasury.

World War I lifted the new and untried Federal Reserve System in one bound to a dominant position as this nation's central bank. Once again the need of the government to sell its obligations



Elliott V. Bell

was a decisive factor. The original eligibility rules of the Federal Reserve System were modified so as to permit the use of government securities as collateral for discounts and the banks greatly expanded their investments in and loans against government issues. By those events the day was hastened when the banks would be "married to the Treasury."

### Effects in Foreign Countries

Now we have just emerged or, rather, are still struggling to emerge from the greatest of all wars thus far. What have been the effects of that war upon banking here and abroad? Looking first abroad, the most obvious and striking effect has been an accelerated trend toward the nationalization of banking. Since the end of the war some 15 countries have nationalized all or part of their banking systems. These developments have ranged all the way from complete nationalization in Czechoslovakia and in the Balkan satellites of Soviet Russia to the largely nominal nationalization of the Bank of England. In addition to these 15 countries, at least 10 other countries are studying the desirability of na-

(Continued on page 21)

This is not an Offering Prospectus. The offer of these shares is made only by means of the Offering Prospectus. These securities, though registered, have not been approved or disapproved by the Securities and Exchange Commission, which does not pass on the merits of any registered securities.

## 1,000,000 Shares

(of which 700,000 Shares are publicly offered)

## E. I. du Pont de Nemours and Company

### Preferred Stock—\$3.50 Series

(Without Par Value)

The Preferred Stock—\$3.50 Series and the outstanding Preferred Stock—\$4.50 Series rank equally but vary as to the dividend rate and the amounts payable upon voluntary liquidation or upon redemption.

The New Preferred Stock is redeemable, at the option of the Company, in whole or in part, initially at \$107 and accrued dividends. This redemption price decreases periodically after April 25, 1952.

The Company will make application for the listing of the New Preferred Stock on the New York Stock Exchange.

The following is the Company's brief outline of certain information contained in the Offering Prospectus and is subject to the more detailed statements in the Offering Prospectus and the Registration Statement, which include important information not outlined or indicated herein. The Offering Prospectus should be read prior to any purchase of this New Preferred Stock.

### THE COMPANY

The Company, incorporated in 1915 in Delaware, and its subsidiaries are engaged in manufacturing and selling diversified lines of chemical products and other products related thereto. In addition, the Company holds investments in other companies, the most important being 10,000,000 shares, or 22.7%, of the common stock of General Motors Corporation. The Company is informed that Christiana Securities Company owns 3,049,800 shares, or 27.42%, of the Common Stock of the Company. The Company disclaims any admission of the existence of control of it by Christiana Securities Company.

The principal manufacturing and selling activities of the Company are conducted through ten operating departments, which, in the order of their positions as measured by dollar volume of sales and interdepartmental billings for the year 1946, are as follows: Rayon (including cellophane and nylon), Organic Chemicals, Fabrics and Finishes, Ammonia, Grasselli Chemicals, Explosives, Plastics, Electrochemicals, Pigments, and Photo Products.

The Company and its subsidiaries have 82 plants in the United States, one in Mexico and one in Chile.

	As of March 31, 1947	Adjusted to give effect to this financing
<b>CAPITALIZATION:</b>		
Preferred Stock, without par value (authorized—3,000,000 shares)—		
\$4.50 cumulative (outstanding—1,688,850 shares) . . . . .	\$168,885,000	None
Preferred Stock, without par value (authorized—4,000,000 shares)—		
\$4.50 Series (outstanding—1,688,850 shares) . . . . .	None	\$168,885,000
\$3.50 Series (outstanding—1,000,000 shares) . . . . .	None	100,000,000
Common Stock, \$20 par value (authorized—15,000,000 shares; outstanding—11,122,512 shares, including 550 shares in treasury) . . . . .	222,450,240	222,450,240
	<u>\$391,335,240</u>	<u>\$491,335,240</u>

As of March 31, 1947, the Company had outstanding \$17,100,000 unsecured notes, due 1949-1951, payable to the Trustee of the revocable 1929 Pension Trust, and was guarantor, as to principal and interest, of \$257,144 4 1/2% Second Mortgage loans to employees.

### PURPOSE OF ISSUE

The net proceeds (\$99,765,000, after expenses) will be placed in the general funds of the Company and used for general corporate purposes. The Company believes that it is prudent to raise additional capital at this time to provide for expansion of plant facilities and for increased working capital requirements resulting from a contemplated expansion of the Company's business. If further funds should be required, the Company may provide them out of its cash resources or from proceeds of the sale of additional securities or from borrowings.

### EARNINGS

The following summary of consolidated earnings of the Company and wholly owned subsidiaries has been compiled by the Company and reviewed by Independent Public Accountants and is subject to the summary of consolidated earnings and the financial statements, together with the notes appended thereto, in the Offering Prospectus.

Net sales and other operating revenues (Notes 1 and 2)		Net operating income (Note 2)	Non-operating income		Provision for taxes on income	Provision for contingencies	Consolidated net income
Year			Dividends, General Motors Stock	Other, net			
1937	\$286,043,075	\$ 56,422,793	\$36,672,635	\$6,792,748	\$ 11,856,233	\$ . . . . .	\$ 88,031,943
1938	235,409,426	36,990,511	14,628,621	4,833,826	6,262,131	10,000,000	50,190,827
1939	298,832,238	67,759,061	35,000,000	5,155,156	14,695,553	10,000,000	93,218,664
1940	359,955,655	100,701,790	37,500,000	7,083,471	48,340,088	10,000,000	86,945,173
1941	503,352,294	158,134,111	37,500,000	9,084,831	104,317,472	10,000,000	90,401,470
1942	523,463,385	133,140,762	20,000,000	6,333,813	90,533,300	5,000,000	63,941,275
1943	612,939,287	134,906,666	20,000,000	6,775,739	91,975,586	5,000,000	69,706,819
1944	646,168,395	140,878,017	30,000,000	6,918,257	96,926,168	5,000,000	80,870,106
1945	631,575,414	124,004,080	30,000,000	4,576,889	81,059,962	5,000,000	77,521,007
1946	661,824,083	143,535,013	22,500,000	9,772,343	63,187,650	5,000,000	112,619,706

Aggregate annual dividend requirements on Preferred Stock—\$4.50 and \$3.50 Series will amount to \$11,099,825.

(1) Net sales do not include the value of products manufactured, beginning in 1942, in U. S. Government-owned plants. Compensation for constructing and operating such plants was principally on a fixed fee basis and is included as other operating revenue. (2) Net sales have not been reduced by payments under the Renegotiation Act in 1942, 1943 and 1944 and under the Repricing Act in 1945. Net operating income is after deducting (a) provisions for renegotiation and repricing, including adjustments between years, in 1942 to 1945 inclusive, and (b) provision of \$17,700,000 in 1945 to complete the amortization of "emergency facilities".

### PREFERRED STOCK

The Preferred Stock has no voting power, except as provided by law, other than certain special voting rights specified in the Certificate of Incorporation and the By-Laws.

### UNDERWRITING

Subject to certain conditions, the Underwriters, named in the Offering Prospectus, have severally agreed to purchase the 700,000 shares of New Preferred Stock at \$100 a share, or a total of \$70,000,000, and accrued dividends; and will offer these shares to the public at an aggregate price of \$71,400,000, and accrued dividends. Underwriting discounts total \$1,400,000. The remaining 300,000 shares are reserved by the Company for sale to the Trustee of a Pension Trust established by the Company, without underwriting discounts or commissions, at a total price of \$30,000,000 (\$100 a share) and accrued dividends, payment to be made at or prior to the time of payment by the Underwriters.

## Price \$102 a Share

and accrued dividends

The Underwriters have agreed to purchase the 700,000 shares of New Preferred Stock when, as and if issued and subject to the approval of Davis Polk Wardwell Sunderland & Kiehl, counsel for the Underwriters and to certain further conditions. It is expected that delivery of certificates for these shares will be made on or about May 7, 1947, against payment therefor in New York funds.

TO FACILITATE THE OFFERING, IT IS INTENDED TO STABILIZE THE PRICES OF THE NEW PREFERRED STOCK IN THE OVER-THE-COUNTER MARKET AND OF THE PREFERRED STOCK—\$4.50 SERIES ON THE NEW YORK STOCK EXCHANGE AND IN THE OVER-THE-COUNTER MARKET. THIS STATEMENT IS NOT AN ASSURANCE THAT THE PRICE OF EITHER OF SUCH STOCKS WILL BE STABILIZED OR THAT STABILIZING, IF COMMENCED, MAY NOT BE DISCONTINUED AT ANY TIME.

Further information, particularly financial information, is contained in the Registration Statement on file with the Commission, and in the Offering Prospectus which must be furnished to each purchaser and is obtainable from only such of the undersigned as may legally offer these securities in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.

KUHN, LOEB & CO.

THE FIRST BOSTON CORPORATION

SMITH, BARNEY & CO.

HARRIMAN RIPLEY & CO.

BLYTH & CO., INC.

GOLDMAN, SACHS & CO.

KIDDER, PEABODY & CO.

UNION SECURITIES CORPORATION

STONE & WEBSTER SECURITIES CORPORATION

Dated May 1, 1947.

\*An address by Mr. Bell before 50th Annual Meeting of Group VII, New York State Bankers Association, Garden City, N. Y., April 24, 1947.

## Railroad Securities

The March and first quarter railroad earnings reports started coming in late last week and for the most part they met the most optimistic expectations. More accurate comparisons with the performance of a year ago are now possible. Last year practically all of the carriers charged to March operations the full retroactive 16 cents an hour wage increases for the first quarter. The additional 2½ cents an hour increase finally granted in May was not retroactive. As earnings comparisons for the first two months this year were with a period of 1946, in which no wage increases were being accrued, many speculators and investors had been inclined to view the 1947 results pessimistically.

The distortions resulting from the wage factor are obvious from a comparison of some of the earlier reports coming in for the first quarter. Union Pacific for the first two months reported a year-to-year decline of 23.2% in net operating income. For the full first quarter this had been changed to an increase of 36.6%. When it is considered that oil and gas operations are also showing larger net, that for the full year 1946 the company earned \$11.90 a share on its common, and that fixed charges this year will be materially lower, it is difficult to justify the present low price for the shares on any investment basis.

For the first two months of the year Pere Marquette reported a gain of \$160,000 in net as compared with the like 1946 interim. For the quarter this improvement expanded to \$1,033,000. Southern Railway had a drop of more than 50% in common share earnings for the first two months but for the quarter there was a modest year-to-year increase in earnings. Baltimore & Ohio reported net operating income of \$7,556,333 for the first quarter this year contrasted with a net operating deficit of \$1,557,659 a year ago, a net gain of \$9,114,992. Most of this gain was in March—for the first

two months of the year net operating income had been up only \$1,200,000. Atlantic Coast Line had sustained a drop of about 10% in net operating income during the first two months of the year but for the first quarter reported a year-to-year gain of \$2,364,000 to \$2,726,332.

One of the outstanding performances was turned in by New York, Chicago & St. Louis. The Nickel Plate was one of the roads that even in the two opening months of the year was reporting a fairly substantial improvement over a year ago despite the difference in accrued wage rates. This rate of improvement was accelerated sharply in March with net operating income of \$1,069,782 contrasted with a net operating deficit of \$81,710 in March, 1946. As a result, earnings for the full first quarter were in excess of the full year's dividend requirement on the 6% preferred stock. Last year earnings on the stock for the first quarter amounted to only \$0.64 on the preferred.

Some of the western roads have not kept pace with this wide year-to-year improvement in the first quarter. They are the roads that normally have a very pronounced seasonal factor in their traffic and earnings. This seasonal factor is occasioned by the strong dependence on grain and other agricultural products and in some cases, notably Great Northern, by the heavy iron ore movement. Iron ore shipments do not start until the Lakes open, generally some time in middle or late April. Also, weather conditions, particularly in mountainous territories, generally hamper operations in the winter months. For the past five years or so the seasonal curves have been pretty well ironed out by war traffic (a year ago redeployment of troops sustained revenues in the first quarter) but they are now beginning to reappear.

On top of the sharp change for the better in the year-to-year earnings picture now that March results are being reported there is a definite prospect of further wide gains during the next two months. A year ago at this time traffic was being very seriously affected by major strikes. Many analysts look for at least considerable moderation of the generally pessimistic public attitude towards rail stocks in the light of the present and prospective more favorable earnings comparisons.

### Stein Bros. & Boyce Opens New Branch

WASHINGTON, D. C. — Stein Bros. & Boyce, members of the New York Stock Exchange and other leading Exchanges, have opened a branch office in the Union Trust Building under the management of Robert T. Norman. Mr. Norman became associated with Alex. Brown & Sons in their Washington office in 1927, remaining with them until 1941, when he entered the Army Chemical Warfare Service. Edwin D. Flather, who has been with Stein Bros. & Boyce since 1933 as Washington representative, will remain with the firm.

### Chas. E. Klein Joins Stanley Heller & Co.

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock and Curb Exchanges, announce that Charles E. Klein and Peter E. Molloy have become associated with them. Mr. Klein, who for many years was with Holsapple & Co., will be manager of the firm's trading activities. Mr. Molloy, who was also with Holsapple & Co., will be in the trading department.



Charles E. Klein

Announcement is also made of the installation of a direct private wire from Stanley Heller & Co. to Hickey & Co. in Chicago. In keeping with their current expansion program, Stanley Heller & Co. are taking much enlarged quarters at the same address.

### Cudahy Packing Invites Bids

Cudahy Packing Co. has issued invitations for bids to be considered May 5 for \$15,000,000 of new first mortgage sinking fund bonds, maturing May 1, 1967. These new obligations are designed to replace an issue of 3% sinking fund debentures, series B, due May 1, 1964. The outstanding bonds were brought to market in 1944 by a group led by Halsey, Stuart & Co. Inc. Since the new offering is being thrown open to public bidding, the possibility is foreseen that it may go to a rival investment banking syndicate or to an institutional investor bidding for its own account. Bids will be received up to 11 a.m. (CDT) at 221 North La Salle Street, Chicago.

### Northwest Airlines Preferred Stock Oversubscribed

Quick oversubscription of the issue of 390,000 shares of Northwest Airlines, Inc., 4.6%, \$25 par value cumulative convertible preference stock was announced yesterday by Auchincloss, Parker & Redpath, The First Boston Corporation and Hornblower & Weeks. The stock was offered at \$25 per share, after the registration statement became effective at 10:30 a.m. April 30.

Proceeds of the financing eventually will be used by the airline for expansion purposes. Initially, the company intends to make the funds available for general corporate purposes, and it is anticipated that a substantial portion will be invested in U. S. Government securities.

The expansion program involves expenditures of approximately \$39,552,000, of which \$5,177,000 had been expended as of Jan. 1, 1947. The remainder is expected to be spent before Jan. 1, 1949.

In addition to the proceeds of the present financing operation, funds will be available for the expansion from provisions for depreciation accruing during the years 1947 and 1948 on flight equipment and other assets, from \$18,000,000 bank loans to be made available to the company, and from the proceeds of the disposition of ten Martin 202 airplanes after substitute airplanes have been acquired.

### Morgan Stanley Wins Consolidated Edison Bonds—Issue Publicly Offered at 101.05

Morgan Stanley & Co. heads a nationwide group of investment bankers which is publicly offering today (Thursday) a new issue of \$100,000,000 principal amount of Consolidated Edison Co. of New York, Inc., first and refunding mortgage bonds, 2½% series B, due April 1, 1977. The bonds, which were awarded to the group yesterday at competitive bidding, are being offered at 101.05 and accrued interest, to yield 2.575% to maturity.

The offering, representing one of the largest issues of new corporate securities placed on the market so far this year, is the second step in a proposed plan for one of the largest corporate debt refunding operations ever undertaken. An issue of \$100,000,000 first & refunding mtge. bonds, 2½%, series A, due March 1, 1982, was sold publicly in March through an underwriting group also headed by Morgan Stanley & Co.

Proceeds from the sale of the series B bonds will be applied to the cost of redeeming, at par, \$60,000,000 of 10-year 3½% debentures due April 1, 1948, and the balance will be applied to payments on account of short-term bank loans now aggregating \$65,000,000.

The new series B bonds are

redeemable at optional redemption prices which start at 104.05 for the period on or before March 31, 1948, and thereafter at prices declining to 100 if redeemed in the last year commencing April 1, 1976, in each case with interest accrued to the redemption date.

Consolidated Edison and its utility subsidiaries have been operated for many years on a unified basis. They supply electric service in the Boroughs of Manhattan, the Bronx and Brooklyn and in most of the Borough of Queens and in Westchester County except the northeastern portion. Gas service is supplied in Manhattan and the Bronx, in sections of Queens and in the more populous parts of Westchester County. Steam service is supplied in a part of Manhattan.

### Does a Sterling Crisis Impend?

(Continued from first page)

(Continued from first page) organization of production during the early phases of nationalization.

The main reason for the gloomy view taken of the prospects lies not so much in the anticipation of a large import surplus—which could, to some extent, be kept under control through import restrictions—as in the fears of the effects of the restoration of the convertibility of sterling on July 15th. It is widely taken for granted that all overseas holders of sterling—with the possible exception of the members of the British Commonwealth—will take the first opportunity to convert into dollars the whole amount of sterling they are entitled to convert. Nobody has the least idea of the amount that is likely to be so converted, not even the authorities. The restoration of convertibility is regarded, therefore, in many quarters, as an irresponsible leap in the dark.

The Anglo-Italian Payments Agreement alone will lead to the loss of at least \$120,000,000 as under it the Italian Government will be entitled to convert £30,000,000, plus whatever sterling surplus it may accumulate in the future in excess of the £10,000,000 which it has undertaken to keep in London. The Egyptian Government has just declared that after July 15 Egypt will possess an adequate amount of strong currencies, since she will be able to convert the proceeds of her visible and invisible exports to Britain, plus such part of her blocked sterling balance as may be released for the purpose. Other countries, too, are rubbing their hands, metaphorically speaking, at the thought of the dollars they are going to secure out of the proceeds of the loan to Britain.

It is no wonder many people in Britain are viewing the prospects with growing concern. It seems that from July 15 Britain's dwindling dollar resources are to serve not only to meet Britain's own dollar deficit—which itself is substantial enough—but also that of a number of other countries. Nor is it certain by any means that sterling will be converted into dollars by overseas countries for the sole purpose of meeting current requirements as and when they arise. Many governments will build up dollar reserves at Britain's expense.

It is impossible to foresee how long Britain's dollar resources will stand this drain. Without be-

ing unduly pessimistic, one appears to be justified in suggesting that the proceeds of the loan will be exhausted in a matter of months, possibly before the end of this year. Nor is the dollar amount representing Britain's own reserve (as distinct from the proceeds of the loan) likely to suffice to meet the pressure for very long, especially if under agreements for the funding of sterling balances a large part of it is allocated to holders of such balances.

In such circumstances it appears that the only way in which it will be possible to maintain the convertibility of sterling would be through additional financial assistance by the United States. Whether such assistance will assume another inter-government loan or whether the dollars will be raised through unofficial channels is a matter of detail. What is essential is to bear in mind that without some form of assistance Britain will be unable to fulfill its obligation under the Loan Agreement. It will be for the Washington Administration to decide whether to grant or authorize such assistance or whether to release Britain of this obligation when its excessive burden becomes obvious.

#### With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE  
LOS ANGELES, CALIF. — Morton Harvey is connected with Herrick, Waddell & Co., Inc., 55 Liberty Street, New York City.

#### With King Merritt & Co.

Special to THE FINANCIAL CHRONICLE  
LOS ANGELES, CALIF. — Paul M. Darwin has become affiliated with King Merritt & Co., Inc., Chamber of Commerce Building.

#### With Buckley Brothers

Special to THE FINANCIAL CHRONICLE  
SAN FRANCISCO, CALIF. — Windsor D. Gigelow is now connected with Buckley Brothers, members of the New York Stock Exchange and other exchanges, whose Pacific Coast headquarters are in Los Angeles, 530 West Sixth Street.

#### Yates With First Trust Co.

Special to THE FINANCIAL CHRONICLE  
LINCOLN, NEB. — George V. Yates has been added to the staff of the First Trust Co. of Lincoln, 10th & O Streets.

#### Chicago Railways

Cons. "A" 5s, 1927

#### Arden Farms Common & Preferred

#### R. Hoe & Co., Inc. Old Class "A" New Class "B"

#### Pacific Airmotive

#### Chicago Rapid Transit 6s and 6½s

#### ERNST & Co.

MEMBERS  
New York Stock Exchange and other  
Leading Security and Commodity Exchs.  
120 Broadway, New York 5, N. Y.  
231 So. LaSalle St., Chicago 4, Ill.

#### Guaranteed Stocks Bonds Special Securities

#### B. W. Pizzini & Co.

INCORPORATED  
GUARANTEED RAILROAD STOCKS-BONDS  
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Telephone BOwling Green 9-6400  
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## ABA Opposes Federal Reserve Guarantee of Small Business Loans

In statement filed with Senate Banking and Currency Committee, holds such legislation is unwise and unnecessary. Says private banks give ample loan service to small business and points to ABA organization of nationwide network of 51 regional credit groups with \$750 millions to handle extraordinary loan requirements

The American Bankers Association on April 24 submitted to the Senate Banking and Currency Committee a brief statement in opposition to the part of the Tobey

Bill (S. 408) which would provide for a system of guarantee by the Federal Reserve Banks of chartered private bank loans, such loans to extend for periods as long as 10 years. The principal purpose of the bill, according to its sponsor, is to aid in providing small businesses with necessary capital that they could not obtain from banks through the usual lending channels. Marriner S. Eccles, Chairman of the Federal Reserve Board has already testified before the Committee in favor of the measure. (See "The Chronicle" April 24, 1947, p. 18.)

The text of the ABA statement follows:

"The Association has no objection to Section 1 of S. 408 which has to do with the repeal of Section 13b of the Federal Reserve Act. However, the Association is opposed to that section of the bill having to do with the guaranty of commercial loans on the grounds that it is not only unwise but that there has been no demonstrated need for such legislation.

### Small Business Credit and the Banks

"Before the end of the war the ABA knew that there would be a tremendous demand for credit on the part of small businessmen and returning GIs who would wish to undertake some type of business enterprise. In 1944 we organized the Small Business Credit Commission of the ABA and undertook an educational campaign across the country with our member banks to advise them of ways and means by which they could be of service to small business in the postwar period. We urged larger banks to set up small business credit departments to counsel with small businessmen. This was done. We demonstrated how small and large banks could work together in extending loans to large and small borrowers. A number of surveys made within the past year indicate that thousands of such loans are being made and that this practice is normal banking procedure. In addition we set up credit groups in 51 areas in the nation to take care of loans which could not otherwise be handled. These credit groups were not designed to initiate loans themselves but were to extend additional credits wherever needed. These credit groups were banking's new postwar credit vehicle, and in some areas considerable use has been made of this vehicle. The aggregate amount of credit made available by these 51 credit groups is well over \$750,000,000.

### American Bankers Association and Loan Guaranties

"In 1943 the convention of the American Bankers Association went on record against the guaranty of loans in peacetime in the commercial and industrial fields by governmental agencies. This statement was reiterated in 1945 and again in 1947 (less than ten days ago). It was the feeling of the Association then as it is now that government funds should not be used to underwrite the commercial and industrial risks which banks must take in the business field. The Association believes that the government's obligations are now so great that it should not undertake, especially in a period of prosperity, obli-

gations which should be assumed by individuals and private institutions.

### Commercial Bank Loans and Small Business Development

"Commercial bank loans in the small business field have expanded greatly. More new businesses were financed in 1946 than at any similar time in our history. We therefore feel that there is no need for this type of legislation at the present time. The banks are in good condition. They are anxious to make loans at reasonable rates and on fair terms to competent people to help them start new business enterprises or to develop older ones. Some people say that there is a gap in our credit structure at the point of small business. That has not been demonstrated. Small business has ample sources of credit. On the other hand, its needs are goods to sell, competent management, and tax laws which will give the little fellow or the partnership an opportunity to retain a fair

share of earnings in building up capital funds for future growth.

### Surplus Funds of the Federal Reserve Banks

"The A.B.A. believes that the Federal Reserve banks' surplus accounts should be kept unimpaired and without contingent liabilities in order to enable them to underwrite any losses which such banks might experience in the normal operation of their affairs. We have now a federal agency willing to underwrite or participate in the credit risks of the commercial banks. We contend that it would be unwise for the Government at this time to designate another quasi-governmental agency to offer to guarantee 90% of the loans of the banks, using funds that belong to the Government of the United States.

### Commercial Banks and Private Credit Needs

"The most important segment of the private credit system we have in the country are the 14,000 commercial banks. Of this number 12,000 are classified as small banks with loaning limits to one borrower of less than \$40,000. Based on a survey made by the Federal Reserve System of all loans outstanding as of Nov. 20, 1946 of Federal Reserve member banks, the A.B.A. projected this study to all of the banks of the country. This projection indicated that on that day there were some 853,000 commercial loans in the portfolios of banks. Over 90% of these loans were for \$25,000 or less. Fewer than 10% were

over \$25,000, indicating that the great majority of credit applications from business are in a bracket which every commercial bank is prepared to meet. The primary source of income of the smaller banks through the years has been loans to small business and to individuals.

"We feel that the banks should be encouraged to carry on their risk-taking without a crutch from any governmental or quasi-governmental agency and not be placed in the position of receiving preferential treatment as against any other private enterprise.

"For these reasons we respectfully file these objections to the guaranty section of S. 408."

### Walter Dembski With Wm. E. Pollock & Co.

Walter Dembski, formerly of the New York Hanseatic Corporation, has become associated with Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

### Stern & Co. Adds Henry Lehman to Staff

Stern & Co., 25 Broad Street, New York City, members New York Stock Exchange, announce that Henry Lehman formerly of Herzfeld & Stern has become associated with them.

### John F. Hallett App'd By Chemical Bank

Frank K. Houston, Chairman of the Chemical Bank & Trust Co., announces the appointment of John F. Hallett as Assistant Vice-President of the bank. He will be associated with I. B. Grainger, Vice-President, in the handling of the bank's business in the States of Missouri, Kansas and Colorado.



John F. Hallett

Mr. Hallett is a graduate of Yale University and was formerly an Assistant Treasurer of the New York Trust Co. He is a veteran of four years service in the U. S. Navy, achieving the rank of Lieutenant Commander assigned to Air Combat Intelligence. In the closing months of the war he was Naval Liaison and Air Sea Rescue Officer with the 58th Bombardment Wing of Army B-29s participating in raids on Japan both as pilot and observer and helped to organize the Air Sea Rescue facilities to rescue survivor personnel from disabled planes en route to and from Japan.

*This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Bonds. The offer is made only by the Prospectus.*

**\$100,000,000**

## Consolidated Edison Company of New York, Inc.

### First and Refunding Mortgage Bonds, 2½% Series B

Dated April 1, 1947

Due April 1, 1977

Interest payable April 1 and October 1 in New York, N. Y.

**Price 101.05% and Accrued Interest**

*Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Bonds in compliance with the Securities laws of the respective States.*

#### MORGAN STANLEY & CO.

BLYTH & CO., INC.

EASTMAN, DILLON & CO.

THE FIRST BOSTON CORPORATION

GOLDMAN, SACHS & CO.

HARRIMAN RIPLEY & CO.  
Incorporated

KIDDER, PEABODY & CO.

LAZARD FRERES & CO.

SALOMON BROS. & HUTZLER

SMITH, BARNEY & CO.

STONE & WEBSTER SECURITIES CORPORATION

UNION SECURITIES CORPORATION

WHITE, WELD & CO.

CLARK, DODGE & CO.

DREXEL & CO.

LEE HIGGINSON CORPORATION

F. S. MOSELEY & CO.

May 1, 1947.

## Mutual Funds

By HENRY HUNT

### One Way to Throw Money Away

If investors attended a financial school from the time that they were small children, the first thing that they might learn to chant in kindergarten would be: "We like dividends."

In the first grade, they might be taught to say: "We buy only dividend paying stock," while in the second grade they might con-

sider themselves sophisticated and say: "We only buy stocks just before they sell ex-dividend in order to receive those nice dividend checks."

Unfortunately many investors have not advanced beyond the second grade in their financial schooling, particularly those who buy mutual fund shares just before they go "ex." Reasonably intelligent investors must realize that the offering price of a mutual fund share is based on the market value of the underlying securities and cash on hand, plus accumulated income and security profits, plus the distribution charge. They must also realize that when they buy a mutual fund share just before it goes ex-dividend, they are paying for the dividend and a "load" charge on the dividend as well. Moreover, when they receive the dividend—even though it constitutes return of capital—they must treat it as income and pay income taxes on their so-called dividend. If the investor spends the dividend, he is merely spending capital and throwing away a few dollars for taxes and the additional "load" to boot.

Yet it is common knowledge that sales of mutual fund shares frequently hit their peak just before an "ex" date, and slump sharply the day after. Despite its obvious disadvantages, dividend "scalping," like flagpole sitting, seems to be a popular pastime.

Mutual fund salesmen can undoubtedly play on the investor's fondness for dividends and close a sale by reminding the investor, "If you buy it today, you'll get a dividend in a couple of weeks but it is a question if they don't lose more thereby than they gain because their customers get in a frame of mind where they can't be sold fund shares between dividend dates and consequently put money for investment during such periods into some other class of securities."

#### Incorporated Investors Explain Position

In its quarterly report to shareholders Incorporated Investors of Boston justifies its fully invested position by saying in part: "We believe that much of the current pessimism is based on the belief that the postwar business and financial pattern must duplicate that of the years immediately following World War I. Then, following a short boom, business, prices, employment, and stock market levels suffered a decline that did not terminate until 33 months after the Armistice. As a matter of fact the conditions were so different during the two wars, and the curve of so many of the economic indices has been so different after this war compared with the period after the first World War that different rather than similar results ought to be the logical expectation."

During the first quarter of 1947, net assets of Incorporated Investors declined from \$70,255 million to \$67,398 million.

#### Industry Ratings

In its "New York Letter" Hugh W. Long & Co. gives a "good profit possibility" rating to the following industries: automobile, building, machinery, metals, railroad, railroad equipment, and steel.

## RAILROAD BOND SHARES

OF GROUP SECURITIES, INC.



A PROSPECTUS ON REQUEST from your investment dealer or Distributors Group, Incorporated 63 Wall Street, New York 5, N. Y.

## NATIONAL SECURITIES SERIES

Prospectus upon request from your investment dealer, or from

NATIONAL SECURITIES & RESEARCH CORPORATION 120 BROADWAY, NEW YORK 5, N. Y.

## Manhattan Bond Fund

INC.



Prospectus from your Investment Dealer or

HUGH W. LONG & CO. INCORPORATED

48 WALL STREET, NEW YORK 5, N. Y. LOS ANGELES CHICAGO

## Keystone Custodian Funds

★

Prospectus may be obtained from your local investment dealer or

The Keystone Company of Boston

50 Congress Street, Boston 9, Mass.

#### Atom Bomb Outlook

In "These Things Seemed Important" Selected Investments Co. of Chicago comments on the atom bomb outlook as follows: "Army" (semi-official): "... to the best of our knowledge only U. S. has developed and manufactured atomic bombs ... it will take any other nation several years successfully to complete one bomb ... additional period of several years will be required (to) produce a significant number of bombs ... These calculations lead us to two conclusions: (a) For a number of years, perhaps as many as 8 to 15 only the U. S. will possess atomic bombs in significant quantities." (b) After the period mentioned other nations will possess atomic bombs in significant quantities." Navy: "Rockets with atomic warheads capable of thousands of miles of range are not to be expected for another 25 years."

#### Notes

The George Putnam Fund of Boston has issued an interesting bulletin called "Investing Beyond the Horizon."

Broad Street Investing Corporation reports net assets as of March 31, 1947 of \$8,114,000 including unrealized appreciation on investments amounting to \$2,057,000. Selected Industries Incorporated, under the same management, reports net assets at market of \$41,959,000, including \$9,218,000 of unrealized appreciation.

A special bulletin on National Stock Series has been issued by National Securities & Research Corporation. It points out that although the prices of underlying issues are approximately the same on the average as ten years ago 1946 dividends exceeded 1936 payments by 100%, while earnings last year were 81% higher than ten years ago.

As of March 31, 1947, the assets of the Wellington Fund were divided as follows: Cash and U. S. Governments 29%; Investment Bonds and Preferreds 21%; Appreciation Bonds and Preferreds 8%; Common Stocks 42%.

"Keynotes" published by the Keystone Company of Boston estimates that earnings on the Dow Jones Industrial Average for the first quarter of 1947 will be \$4-\$4.25 as compared with \$1.86 earned during the first quarter of 1946. If this estimate is correct, earnings on the 30 Dow Jones industrials for the 12 months ended March 31, would be \$15.74-\$15.99, equal to more than 9% on its present market level.

## Bache & Co. Sponsors Television Broadcasts

Bache & Co., 36 Wall Street, New York City, has announced the signing of a contract with DuMont's television station WABD for the use of their facilities in the daily presentation of a financial news program. The current schedule calls for a review of developments in the nation's securities and commodities markets to be presented at 1 p. m.

It may be timely to revert back almost half a century when back in 1892 Bache & Co. became the first member firm of the New York Stock Exchange to install a private wire between its New York and Albany offices. Then, as today, it pioneered in the financial industry into a new field of communications. Today it is utilizing the family of communication's youngest member—television.

Commenting upon the use of television, Bache & Co. states that in doing so it hopes to contribute to the current effort on the part of the financial industry to familiarize the largest possible audience with the aims and effort of the Stock Exchange and its members and their place in the nation's economic pattern.

## Task is to Reduce Prices: Truman

Tells Chamber of Commerce of U. S., assembled at Washington, business has responsibility, by careful planning and elimination of wasteful methods, to reduce prices wherever possible while increasing production. Chamber responds by resolution making price reductions conditional on costs.

In a letter from President Truman to William K. Jackson, President of the Chamber of Commerce of the United States, which was read at the



President Truman

opening session of the 35th Annual Meeting of the Chamber of Commerce of the United States by Dr. John R. Steelman, assistant to the President, business is again urged to reduce prices.

The text of the President's letter follows:

"To the United States Chamber of Commerce, and to the delegates to its 35th annual meeting, I extend my most cordial greetings. It is heartening to know that this nationwide federation of American businessmen is gathering in the Nation's capital not merely to discuss questions relating to the welfare of individual businessmen, but to consider the general welfare of our people as a whole and the ways in which businessmen can further America's continued prosperity and freedom.

"It is indeed fitting that you have chosen, at this particular moment in our Nation's history, the convention theme of 'Paths to Freedom and Plenty.' Our free

democratic way of life runs no risk of successful challenge so long as all of us pull together—labor, agriculture, business and finance, and the government.

"No community leaders have a graver responsibility at this moment, or a greater opportunity for service to their country, than our businessmen. A pressing task of all businessmen today is to reduce prices wherever possible at all levels while steadily increasing production. By careful planning, by elimination of wasteful methods and practices, by expanding facilities where needed, and by increasing productivity, businessmen can greatly help in dispelling the inflationary cloud now hanging over us. The United States has long been known for its success in the mass production of goods at low prices by well-paid workingmen and women who themselves make up the greater portion of the market for the goods they produce. On this firm foundation we must and will move forward to an ever freer and ever expanding system of private enterprise."

In response to the President's message, the Chamber adopted a resolution favoring lower prices, but making such reductions conditional on costs.

## Prices Widely Reduced Already

Fifth of members answering NAM questionnaire have reduced prices on some items in 1947. Leather and shoe trade lead in number of cuts, with food and beverage, textile, rubber, automobile, lumber, pulp, and chemical industries following. Uncertainty over material supplies, wages, and labor inefficiency listed as reasons for withholding price reduction.

Price reductions in 1947 on certain items or lines of products were reported on one out of every five of the 5,742 returns received from a questionnaire sent to the

16,000 members of the National Association of Manufacturers in mid-April. Literally hundreds of prices have been cut. This situation is in sharp contrast with the general impression created by recent reports which have indicated that only a few price reductions have been made in the industrial field.

This strong response represents more than a third (36%) of the total membership of the Association and reveals a keen interest in the current price situation throughout the industrial field.

In addition to making specific reductions in prices, many manufacturers have resisted price rises in a manner which some believe is equivalent to price reductions. The questionnaires and scores of letters which were received indicate that industrialists are trying earnestly to hold the line.

The most important factors now standing in the way of price reductions in individual companies and lines of products were specified on each questionnaire. The uncertainty of material supplies and costs led all other reasons given by the manufacturers in a statistically tally of the replies.

All Association members were asked: "Have you made any reductions in our prices, effective this year?" Out of the 5,742 returns there were 1,194 companies that answered "yes," or 20.8%. The remainder said "no" except for 98 concerns that gave no answer. Those who answered "yes" were referring to one or more items or lines, and not to all of the products of the company.

Affirmative replies on price cuts were especially prevalent in the leather and shoe field where 44% said that they had made some reductions. Also high on the list of affirmative answers were the food and beverage industry, the textile products field and the rubber industry. In these groups almost a third of the companies specified items on which prices had been cut.

Only a small proportion of the returns indicated any lowering of prices in the cement, glass and clay products field. The same situation prevailed in iron and steel, machinery and heavy equipment, and oil and coal products. The results were approximately "average" in the automobile industry, lumber, furniture, pulp and paper, and chemical products. The exact over-all average for all industries showed 20.8% of the companies had made some price cuts.

A large number of letters came in with the returns, bringing out most emphatically the important observation that those manufacturers who have held prices in line and who have vigorously resisted unwarranted price increases should be given all due credit for the significant part they have played in preventing runaway inflation in the industrial field. Many manufacturers reported that prices had been maintained at low and moderate levels in the belief that high volume and small profit margins would bring sounder results than high selling prices. A substantial number of concerns said that they have not raised their prices for many years because of

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## Reports Levelling Off in Some Business Units

Commerce Department, in summary of current business, sees better balance in raw materials supplies and more progress in building up manufacturers' and distributors' stocks.

The nation's economy is continuing to expand but there are increasing evidences of levelling tendencies in important segments, the Department of Commerce announces in a summary of the current business situation.

In general, according to the Commerce Department, production is up and output of final products continues to move towards a better balance as a result of increasing raw materials supplies and organizational gains along the assembly lines. Both manufacturers and distributors have made substantial progress in rebuilding their stocks. Although the backlog of manufacturers' orders continues heavy, the early reconversion rush to place business has given way to more orderly purchasing. Since mid-1946 the dollar value of deliveries has tended to rise more rapidly than that of new orders.

The Department further reports that income payments to individuals during February continued at about the January rate of \$177 billion on a seasonally adjusted annual basis. Changes in the components were of a minor nature, with the exception of farm income which declined about 5% as a result of the decline in marketings. This decline was almost entirely offset by scattered gains in wages and salaries in the production, distribution and service industries, where money incomes have advanced with increased hourly earnings of wage and salary workers.

At the retail level, steadily increasing quantities of preferred commodities, types, or price lines are available to consumers and merchants are encountering more difficulties in disposing of goods which had heretofore found ready sales either as substitutes or because other goods were not competing for the consumer's dollar. The over-all dollar total of retail sales was maintained at a high

level during January and February. The seasonally adjusted annual rate for these two months was \$107 billion as compared with a full-year total of \$97 billion in 1946.

Some sharply divergent trends are reported in sales among the different types of retail outlets which have appeared in recent months. The year-to-year gains in January and February were largest at these stores: building materials and hardware, up 19%; food, up 22%; home furnishings, up 33%; and motor vehicles, up 148%. At the other extreme, jewelry stores and women's apparel outlets show sales lower than a year ago—down 7 and 3%, respectively. By February, the dollar volume of sales at eating and drinking establishments was also slightly lower than last year's amount.

The over-all measure of wholesale prices is stated as having moved within narrow limits during March at a level about 5% above the end of 1946. Prices of both farm products and foods have edged downward from the highs prevailing early in the month. Wholesale prices of industrial products have continued to rise, although at a somewhat slower rate.

The value of construction work put in place during the first quarter of 1947 was said to be about 50% larger than in the comparable quarter of last year—\$2.3 billion as compared with \$1.5 billion. However, the value of total construction activity in March was lower than in January and was only 30% higher than in March 1946. January and February showed year-to-year gains of 67% and 44%, respectively.

## Says Unbalance Within Price Level Is Real Cancer in Price Structure

Industrial Conference Board survey reveals inequalities in prices of various commodities and blames government's disorderly food purchase program for excessive farm prices. Predicts lower governmental revenues should there be a general price decline.

The real cancer in our postwar price structure is the extreme imbalance within the price level rather than the general level of prices, according to an analysis of the economics of declining prices which has just been completed by the National Industrial Conference Board.

"A pair of shoes was equivalent to 18 pounds of butter in 1939 and 16 pounds in 1941," the analysis states. "Today it purchases only 10 pounds. A factory worker receives in exchange for his dollar only 39% as much farm product as he did in 1939-1941, or only 54% as much as in 1926."

The analysis sums of current consumer-labor-industry reactions by stating: "Consumers, rightly or wrongly, believe that many commodities are priced too high and refrain from purchases in the conviction or hope that very shortly their dollars will buy more. The labor press pursues the joint course of demanding lower prices at the same time that it pleads for higher prices for services its membership sells. Industry, too, has grown highly price conscious and is intensively exploring the mechanics of price determination."

### Price Reduction and Supply-Demand Relationships

A disorganized or forced reduction of price as compared with price reduction arising from better balanced supply-demand relationships "will not necessarily correct these areas of imbalance," the study points out.

"Should the government continue its support of high farm prices or aid speculative movements through a repetition of its disorderly purchase program in the first quarter of 1947, the spread between farm and factory prices would widen rather than narrow."

### The Index of Consumer Prices—Past and Present

The index of consumer prices, at its prevailing level, is "not so much above" its prewar comparative as was the stabilized price level of the prosperous 20's above the pre-World War I average, the analysis notes. The cost of living during 1923-1929 averaged 72% higher than in 1914. The wholesale price index at the stabilized level of the 20's was 69% above 1914, while the wholesale index for all commodities other than farm products and foodstuffs was 68% greater. "Within these years," the analysis continues, "the war debt was reduced, nearly \$10 billion, or fully a third; profits, in turn, were sufficiently high to induce a high rate of investment. Our national wealth under this stabilized price structure rose 20% within the decade. Employment rose by 5,000,000 from 1923 to

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## National City Bank Financing Cotton Shipments to China

Special to THE FINANCIAL CHRONICLE

WASHINGTON, April 30—Recent reports in China have tended to give the impression that the \$40,000,000 transaction arranged by the Central Bank of China with the Shanghai branch of the National City Bank of New York was a credit transaction. Full details are not available here, but it is thought that any credit involved is completely secured, inasmuch as the Chinese first offered the business to another institution, which turned down the opportunity.

Under the arrangement concluded about mid-April, the National City Bank will negotiate shippers' bills under authorities to purchase to be opened in accordance with licenses approved with the Board for Temporary Regulation of Imports. Thus, shippers will get their money at once. The \$40,000,000 will cover 230,000 bales of cotton, of which American cotton is to comprise 150,000 bales. The rest will come from India and elsewhere. The American cotton, because of subsidy considerations, must be shipped by June 30, 1947.

## FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made April 23 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of \$19,870,000 1.10% consolidated debentures dated May 1, 1947, and due Feb. 2, 1948. The issue was placed at par. The proceeds, together with other funds, were used to retire \$32,730,000 of debentures, maturing May 1, 1947. As of May 1, 1947, the total amount of debentures outstanding was \$340,580,000.

## Seeking Latin-American Market



Gordon Rust (left), Vice President of Peruvian International Airways; Arthur S. Kleeman (center), President of Colonial Trust Company, and Senor Pedro Bentin, Chairman of the Board of the Corporacion Nacional de Turismo of Peru, at a reception in the Rainbow Room, 30 Rockefeller Plaza, in honor of Senor Bentin. Mr. Kleeman made known at the reception, April 29, that a series of informal talks will be held in Latin American countries between local exporters, financiers and manufacturers, on the one hand, and editors and writers from the U. S., on the other, to aid in stimulating the anticipated three billion dollar export market in Latin America.

## New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Arthur Gwynne to Robert LeBrecht will be considered by the Exchange on May 8th. Mr. LeBrecht will do business as an individual, it is understood.

Thomas E. King retired from partnership in Hicks & Price, Chicago, on April 30th.

J. Lloyd Bailey and John R. Ward withdrew from partnership

in Holsapple & Co., New York City, on April 30th.

Interest of the late Frank L. Newburger, Sr. in Newburger & Hano ceased on April 15, on which date Helen L. Newburger, Frank L. Newburger, Jr., and Richard L. Newburger were admitted as limited partners as trustees under the will of Frank L. Newburger, Sr.

Lester Solomon, partner in Sutro Bros. & Co., died on April 21.

Arthur C. Weil died on April 21.

Richard B. Wilson, partner in Robert Winthrop & Co., died on April 21.

This is under no circumstances to be construed as an offering of these Debentures for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Debentures. The offer is made only by means of the Offering Prospectus.

### New Issues

## Fairbanks, Morse & Co.

\$17,500,000

Twenty-Year 2<sup>3</sup>/<sub>4</sub>% Debentures

Dated May 1, 1947

Due May 1, 1967

Price 100% and accrued interest

\$2,500,000

Serial Debentures

Dated May 1, 1947

Due \$500,000 each May 1, 1948 to 1952, incl.

The several maturities of Serial Debentures are to bear interest as follows:

1948	1.15%	1950	1.50%	1951	1.65%
1949	1.35%			1952	1.80%

Price 100% and accrued interest in each case

Copies of the Prospectus may be obtained from the undersigned and others among the undersigned named in the Prospectus only by persons to whom these Debentures may be legally offered by such underwriters under the securities laws of the particular state concerned.

Harriman Ripley & Co.

Incorporated

May 1, 1947.

## Canadian Securities

By WILLIAM J. McKAY

At the close of 1945 Canada's foreign exchange position was generally acclaimed for its outstanding strength. Despite wartime gifts and loans to the Allied nations and a remarkable performance of external debt reduction the Dominion still remained in the enviable possession of a \$1½ billion exchange surplus in the form of gold and United States dollars.

Progressively thereafter especially following the revaluation of the Canadian dollar to its original parity the financial situation of Canada has been subjected to commentary ranging from the vaguely pessimistic to the direst catastrophe. Previous grounds for felicitation, such as Canada's hold efforts, paralleling those of this country, to rehabilitate international commerce by generous foreign lending, became a principal cause of criticism. Also according to the casual analysts, the Dominion had been too hasty in raising the value of its currency although every enlightened observer had previously confidently predicted such an event. Furthermore in extending foreign credits on a relatively unrivalled scale, Canada was adjudged to be recklessly shortsighted.

The British crisis certainly interposed an unexpected unfavorable factor and the Dominion's single-minded confidence in the implementation of the principles of Bretton Woods at one time appeared to be badly misplaced. It now appears, however, that by grace of the unwavering U. S.-Canadian international financial policies, the multilateral convertibility of the world's currencies is rapidly approaching the practical stage.

Consequently the only weak link in Canada's exchange position should shortly be immeasurably strengthened. Moreover the faith of the Dominion in such a favorable outcome will be amply rewarded. During the difficult interim period Canada by means of

foreign loans out of existing resources has been able to maintain a full flow of exports. New foreign outlets for her goods have been established and Canadian prestige abroad has never been on a higher plane.

Despite this extraordinary strain on the Dominion resources the recent report of the Chairman of the Foreign Exchange Control Board contradicts in a somewhat surprising fashion the dire estimates of the many prophets of gloom. Notwithstanding a record, although non-recurrent deficit in trade with this country during 1946, at the end of the year Canada still had the substantial reserve of \$1¼ billion dollars in gold and U. S. dollars. This figure thus makes quite favorable comparison with the much lauded 1945 total of \$1½ billions. In the light of this report it is also difficult to reconcile the previous forebodings of disaster with the fact, that has been previously emphasized, that last year Canada had an overall net favorable trade balance of \$458 millions.

Perhaps the most significant feature of the report, however, is the implication that Canadian financial policy will be directed toward the maintenance of the existing foreign exchange reserves. Steps will consequently be taken "either to reduce the exchange deficit with the United States by selling more, or spending less, or to increase U. S. dollar income from other countries." It is thus clear that with the implementation of such a policy and with the successful outcome of Canada's constructive gamble on the multilateral convertibility of the world's leading currencies, Canada's future foreign exchange position should become practically unassailable.

During the week the feature in the market for externals was the placing of a new issue of 2¼% five-year New Brunswicks which were fairly well received but which were handicapped by the inability of the province to meet the new eligibility requirements for purchase by the New York savings' banks. Following the recovery in free funds as a result of the Foreign Exchange Control Board's annual report, internal bonds registered a sharp improvement. As the tourist season is approached and with the cessation of liquidation in connection with the Montreal Light, Heat & Power offer and the May 1 maturity of a 1¼% Dominion of Canada issue, the markets for free funds and internal bonds should continue their upward reaction.

### Cummings Appointed by First of Michigan Corp.

DETROIT, MICH.—The Board of Directors of the First of Michigan Corporation, Buhl Building, members of the Detroit Stock Exchange, have appointed Cecil R. Cummings manager of the Municipal Buying Department in Detroit. Mr. Cummings has been associated with the First of Michigan Corporation as a sales representative since 1934.

## The Price Problem

First National Bank of Boston flays Administration's wage and fiscal policy.

Under the caption "The Battle of Prices," the First National Bank of Boston, in its "Monthly New England Letter," says in part as follows:

"While a large part of the price advance was unavoidable, because of the war and its aftermath, several groups, including the Government, must share in the responsibility for the distorted and top-heavy price structure. Too small a proportion of war funds were financed by taxes and too large a proportion by borrowings from banks, which is definitely inflationary. In order to stimulate production on a large scale during the war, a farm price-supporting program was instituted which does not expire until the end of next year. Under the provisions of this measure the major groups of farm products are supported at around 90% of parity with non-agricultural prices. While strong arguments can undoubtedly be advanced for the necessity of adopting such a program in wartime, it is nevertheless unsound from an economic point of view, as is clearly evident from recent developments.

"While exhorting industry to lower its prices, the Administration remains adamant against the reduction of Federal expenditures, which it holds are down to bedrock. A careful analysis would indicate that with good management billions of dollars could be lopped off the budget without impairing essential services. Lavish expenditures of Federal funds generate higher prices and impose onerous taxes. As in the case of farm prices, therefore, the consumer is hit in a two-fold way.

"In the labor segment, the Government has also contributed to the strain on consumers. Shortly after VJ-Day, it was the Administration that led the parade for higher wages, which in turn generated the inflationary spiral.

"In view of the part it has played in boosting prices through championing the cause of labor and of agriculture, it is unfair for the Administration to single out industry as the scapegoat and hold it responsible for breaking the inflationary spiral by reducing prices. Furthermore, the Administration intimates that if this is not done, its influence will be thrown behind a wage boost."

Guaranty Trust Co. of New York calls attention to price and wage distortions.

The "Guaranty Survey," published by the Guaranty Trust Co. of New York, contains a leading article titled "The Problem of Prices," from which we quote as follows:

"Since broad price changes seldom take place without some disturbance to production, employment and national income, the price outlook is a matter of concern to everyone. If the readjustment comes without undue delay, and if in the meantime the upward pressure on prices in general is held to a minimum, the effects may be moderate and of short duration. The likelihood of such a favorable outcome depends to no small extent on whether considerations of immediate gain are subordinated to those of long-term welfare in the formulation of current wage and price policies."

### Where Are the Price Distortions?

"The principal distortions in the existing price structure are indicated by the changes in price categories since the beginning of the war. Prices of raw materials in general, as measured by the index of the Bureau of Labor Statistics, have risen 147% since August, 1939, while prices of finished goods have increased only 80%. Prices of farm products have advanced 197%, and prices of lumber 193%, while prices of iron and steel have moved up only 31% and prices of nonferrous metals only 76%. Retail prices of food have risen 95% and clothing 80%, while rents have increased only 4% and fuels and lighting only 20%.

"The increase in the cost of living since the beginning of the war has been due primarily to higher prices of food and clothing, which together are estimated to account for 55% of the total expenditures of families of moderate incomes. Underlying the rise of 95% in retail food prices are increases of 154% in wholesale prices of cattle, 426% in hogs and 322% in wheat, with advances of similar magnitude in many other raw foodstuffs. Underlying the increase of 80% in clothing are ad-

vances of 267% in raw cotton and 148% in hides and skins.

### Broad Cooperation Essential

"The principal distortions in the price structure will probably not be corrected primarily by direct and purposeful action but by the lapse of time and the operation of natural forces. In so far as direct action can be helpful in the present situation, it will require the cooperation of several groups. One of these is industry, which should of course follow the President's recommendations by holding the prices of its products at the lowest possible level. Distributors should cooperate by marking up the prices of their goods as little as is consistent with sound long-term operation. Bankers should adhere closely to conservative credit policies with a view to preventing over-expansion. Government should reduce expenditures, avoid further borrowing, conduct its food-buying programs in such a way as to preserve maximum stability in markets for farm products and foods, and drastically reduce its payments in support of agriculture. (Estimated Federal expenditures for agricultural programs total \$1,117 million for the current fiscal year and \$1,381 million for the year 1947-48.) Agriculture, in turn, which is enjoying the highest money returns in its history, should abandon its demands for financial aid from the Government. And labor should pursue wage policies based on the recognition that the principal upward pressures on the cost of living are essentially temporary and that continual increases in wage rates, unless matched by increases in productivity, can only lead to further advances in prices and living costs.

### Crucial Importance of Wage Policy

"The cooperation of organized labor is indispensable to the success of any such program of concerted action in the interests of price stability. Wage rates, under present conditions, are among the most inflexible elements in the entire price structure; or it would perhaps be more accurate to say that they are unique in being flexible only in the upward direction. Resistance to wage reductions in the event of broad recessions in employment and the cost of living would certainly be very strong. A decade of almost unbroken depression and mass unemployment before the war was insufficient to bring about a substantial readjustment in labor costs, and the obstacles to such a readjustment would probably be even stronger in the foreseeable future than they were in the pre-war decade. A considerable share of the reluctance of industry to meet the wage demands of labor since the end of the war has in all probability been due to the belief that any increase in money wage rates would tend to become 'frozen' into the price structure, regardless of what might happen to other parts of that structure.

"This rigidity of wage rates is due in part to the strength of organized labor and in part to the 'full-employment' policy which the Government attempted to put into practice during the prewar depression and which has subsequently received more explicit recognition in Federal legislation. An integral part of the policy as it was practiced before the war, and as it would presumably be practiced in the event of a future recession, is the maintenance of prevailing wage rates, even in the face of a declining cost of living. As long as the Nation is disposed and able to put such a program into effective operation, there is little prospect of the restoration of the wage flexibility that formerly played such an important part in promoting business revival and maintaining price stability over the long term."

### British Loan Drafts Greater Than Anticipated

\$1,900,000,000 to be drawn down by July 1, and an additional \$1,200,000,000 by July, 1948.

WASHINGTON (Special to the "Chronicle").—To date the UK has drawn \$1,550,000,000 under the loan agreement, the latest draw-down being one of \$250,000,000 reported as of April 23. By the end of June, Britain plans to have drawn down a total of \$1,900,000,000, instead of the \$1,500,000,000 planned originally, the UK Government has advised the United States. Present plans call for drawing down an additional \$1,200,000,000 during the year ending June 30, 1948.

Arranged by quarters, draw-downs during our fiscal 1947 appear as follows:

First quarter....\$400 millions  
Second quarter... 200 millions  
Third quarter.... 500 millions  
Fourth quarter... 800 millions

What effect the new high tobacco taxes will have on the contemplated rate of withdrawal will be watched with interest.

In his press conference of April 25, Secretary of Commerce W. Averell Harriman was asked whether the increase in American

prices since the granting of the loan to the UK will make it impossible to accomplish the purposes of that loan and therefore necessitate another U. S. loan to Britain. The Secretary replied that the British Government had not requested any additional loan and that he had not seen any figures showing the effects of the winter crisis on Britain's needs, but that undoubtedly that crisis would be reflected in added need for food imports.

According to the British Ambassador, Lord Inverchapel, last winter Britain lost 2,000,000 sheep and had its lambing season ruined, lost 30,000 cattle, and must resow some 200,000 acres of wheat. Moreover, the winter crisis must have had a serious effect on Britain's export capacity, an effect which will take some time to run its course.

### CANADIAN BONDS

GOVERNMENT  
PROVINCIAL  
MUNICIPAL  
CORPORATION

### CANADIAN STOCKS

A. E. AMES & CO.  
INCORPORATED

TWO WALL STREET  
NEW YORK 5, N. Y.

RECTOR 2-7231 NY-1-1045

### TAYLOR, DEALE & COMPANY

64 Wall Street, New York 5  
WHitehall 3-1874

### CANADIAN SECURITIES

Government Municipal  
Provincial Corporate

# The War's Legacy for Banking

(Continued from page 15)

tionalization and in at least another three countries greater government control of banks, amounting, in some cases, almost to de facto nationalization, has been put into effect.

So far as central banks alone are concerned, the trend has been all toward nationalization. No less than 33 central banks are now entirely government-owned. Of this number, nine have only recently been nationalized. The old tradition built upon the Bank of England's great record in the 19th century as a privately-owned bank of issue was so strong that we copied it in 1914 when we created the Federal Reserve System. Today that tradition is dead. The Federal Reserve System almost alone among important banks of issue is still privately-owned. All over the world nationalization of banks appears to be the order of the day. It may interest you to know that no less than four of the banking institutions which I supervise are owned by foreign governments.

Now, what has brought about this marked trend toward nationalization? Is it because bankers in some of these countries failed to serve the needs of the public? Or is it because they used their financial power as a means of exerting political power? Or did they collaborate with their nation's enemies? Is the movement toward the nationalization of banks, in short, a retribution visited upon the bankers of these various countries for their sins of omission or commission?

I cannot find any evidence to support such theories. The truth is that the reasons for the nationalization of banks have varied in the various countries. In Czechoslovakia, for example, there was not, as far as I can learn, any serious criticism of the bankers. Indeed here, and in most other countries where nationalization has taken place, the same men for the most part are running the banks in pretty much the same way as before nationalization. The movement in Czechoslovakia and in the Balkan countries seems to have been predominantly political. It reflects the influence of Soviet Russia within whose shadow these nations are compelled to live. The system of private banking in these countries was sacrificed as a burnt offering to appeasement.

At the other extreme is Paraguay. This country has recently instituted a comprehensive monetary and banking reform, including the establishment of a new government-owned Bank of Paraguay endowed with central banking functions and also empowered to deal directly with the public through a banking department and a savings and mortgage department. Here the motive seems to have been mainly economic. The previous monetary system had been chaotic. The existing credit facilities were inadequate. The new system was devised with the help and advice of our own Federal Reserve authorities.

In France the movement toward nationalization has had more than a tinge of social revolution about it. The nationalization of the Banque de France seems to have sprung from a deep-seated conviction on the part of the dominant French Left that ownership of a national institution should be vested in the State and not in the so-called 200 families. The nationalization of the four big commercial banks in France seems to have sprung from a similar philosophy. These four banks—Credit Lyonnais, Societe Generale, Comptoir National d'Escompte de Paris, and Banque Nationale—held more than half of all French deposits. They had, in French opinion, by reason of their size and nation-wide activities,

become appropriate subjects for public ownership.

## No Aggressive Sentiment Here for Nationalization

Here at home there has been no very aggressive sentiment in favor of actual nationalization of our banks. If anything, sentiment in that direction has, I should say, diminished. This at any rate appears to be indicated by the results of a Gallup poll last January which showed that only 26% of the public favors nationalization of banking in this country, contrasted with 36% 10 years earlier.

The war did, however, bring a number of significant developments which are likely to leave a permanent impression upon the pattern of banking in this country.

One of these developments was the financing of war production by means of guaranteed V-loans. Out of this experience have grown several suggestions for peacetime use of the guaranteed loan idea. In this same general direction there is of course the GI loan program which has brought not only commercial banks but savings banks and other thrift institutions within the seductive orbit of government guaranties. It may turn out that one of the most significant of the war's legacies for banking is this idea of having bankers carry out the mechanics of making loans while government bears most or all of the risk. I leave you to surmise what are the implications of such a course for the continuation of independent private banking enterprise.

Another wartime development of interest to bankers was the control on a national scale of consumer credit. Like the regulation of Stock Exchange margins, this is a type of qualitative credit control. In view of the importance of consumer credit in our economy, it is possible that control in this field, developed in wartime, will be used again if needed.

Still another wartime legacy, the full effects of which are not yet clear, has been the large accumulation of liquid assets on the part of individuals and businesses, which has given them a considerable degree of independence from the banks. By the middle of last year these accumulations were estimated to be no less than \$222 billion, or almost four times the comparable figure for 1929.

## Vastly Increased Holdings of Government Bonds

But overshadowing all of these developments and dominating the postwar banking scene is the influence of our unprecedented government debt and the changes it has brought to our banks. For American banks the most obvious and inescapable impact of the war was the expansion of their portfolios of government securities to a point where they equalled three-quarters of total assets. This fact alone is sufficient to give the Treasury and the Federal Reserve authorities a deep and continuing interest in their responsibility for this group of bank assets.

The safety and soundness of the banking system, which in past periods had been linked primarily with the prosperity of the business community, became linked primarily with the credit of the government and the market value of its obligations. The Treasury for the first time in its history made an official avowal that it felt responsible for maintaining the liquidity of the banking system. To that end there arose the entirely new concept of "bank-eligible" Treasury issues. In other words, so intimate has become the connection between government debt and the banks that the Treasury realizes that it must fashion its security offerings not merely to fit the needs of the government but also to fit the needs of the banks.

The large debt management problem that lies ahead makes it appear likely that the Treasury will retain the bank-eligible concept and perhaps develop it further. For bankers this obviously means reduced freedom to handle their portfolios.

The large expansion of the government debt and the purchase by the banks on book credit of substantial portions of that debt have, of course, greatly expanded bank earning assets. Although rates of return have been relatively low, losses on these assets have been non-existent. On the contrary, the long rising trend of government security prices up to a year ago brought a steady flow of security profits to the banks. The result was record earnings and, since expansion of capital did not keep pace with expansion of liabilities, these large earnings accrued to relatively small capital accounts. At the end of last year interest payments to commercial banks on public debt held by them were running at an annual rate of about \$1,400,000,000. In other words, about one-fourth of the interest charge on the public debt was going to the commercial banks. This represented about half the gross operating earnings of these banks and was more than equivalent to their net operating earnings.

## Interest Earnings of Banks

Here, obviously, is an attractive target for individuals and groups intent on budgetary economy, financial reform or mere demagoguery. It is argued that credit is supplied by the banks to the government at a price that far exceeds its cost and that the usual concept of interest does not apply because of the special nature of the transaction.

A question is also raised in some quarters concerning the whole idea of interest payments as the means of compensating banks for their function in providing the major part of the nation's money supply. Various proposals have been advanced for radically new forms of government debt to be held by banks on which interest payments would be adjusted to the cost of service.

Still another implication of our

huge public debt and of the preponderant part it plays in the makeup of bank assets concerns the general pattern of interest rates. I take it to be self-evident that as long as we have a debt of anything like the present magnitude, government fiscal policy will seek to maintain low interest rates. I take it also to be fairly evident that we are bound to have a large public debt for a long time. Finally, I believe that the Treasury and the Federal Reserve System working together can maintain easy money rates indefinitely. All of this adds up to a continuing easy money policy.

That does not mean, of course, that we may not have minor adjustments in money rates from time to time. It should not, in my judgment, require the hard and fast pegging of rates at immutable levels; but it does preclude any likelihood of a free market in money and it does mean that there is bound to be a constant bias on the side of easy money on the part of the fiscal authorities who do the controlling.

## Conclusion

As we look at the legacy of banking developments left by the war, there is apparent a dismaying tendency among the nations of the world to retain the authoritarian devices that war brought with it and to incorporate these devices in their permanent way of doing things. In many countries this tendency has taken the extreme form of outright nationalization of the banking system.

In our own country there has not been and there is not likely to be any public demand for nationalization of banking and yet the trend here has not been wholly inconsistent with the predominant pattern abroad. The war years have brought a deeper and deeper involvement of banking with government. There has developed an increased dependence of banking upon government. For better or for worse our banks have been tied more closely to the Treasury by the strong bond of common interest in the public debt. If nationalization should ever come to the American banking system it will come, in all probability, not by government taking over the ownership

of the banks. The danger for is that we may slip by almost in perceptible stages into a condition of government domination of banking functions, leaving nothing but the ownership to remain in private control.

Fortunately there is a crowning difference between our approach to postwar economics and that of many of our foreign neighbors whose experiments in the nationalization of banks I have been reviewing. That difference is that as a nation we have chosen to put aside as rapidly as possible the authoritarian economics which we imposed upon ourselves in order to fight the war. We have decided instead to attack our great and difficult problems with the imagination and vigor of free men. This national resolve provides to our bankers a favorable climate of opinion that was denied to bankers in many nations abroad.

In the years of the war it was not given to banking to play a spectacular part, yet the part that was given them our banks played faithfully and well. Beyond that very wisely, our bankers by and large utilized the war years of flush earnings and expanding resources to repair the ravages which still remained from the Great Depression. The war years were for the banking system of this country a period of strengthening and of preparing for a vital role in time of peace. Today stronger than ever before in our history, our banks are in a position to prove that a free and independent banking system can best serve a people who are determined also to remain independent and free.

## Chace, Whiteside, Warren & Sears Formed in Boston

BOSTON, MASS. — Winslow Sears, formerly head of Sears Corporation, has become associated with Chace, Whiteside & Warren, Inc., members of the Boston Stock Exchange, and the firm name has been changed to Chace, Whiteside, Warren & Sears. Offices are at 24 Federal Street.

## NEW ISSUE

\$5,265,000

## New York, New Haven and Hartford Equipment Trust of 1947, No. 1

2% Equipment Trust Certificates

To be dated May 1, 1947 and to mature \$351,000 each May 1 from 1948 to 1962

Issued under the Philadelphia Plan

## MATURITIES AND YIELDS

May 1, 1948	1.15%	May 1, 1953	1.85%	May 1, 1958	2.20%
May 1, 1949	1.35	May 1, 1954	1.95	May 1, 1959	2.25
May 1, 1950	1.50	May 1, 1955	2.00	May 1, 1960	2.30
May 1, 1951	1.65	May 1, 1956	2.05	May 1, 1961	2.35
May 1, 1952	1.75	May 1, 1957	2.10	May 1, 1962	2.40

The unsold portion of these certificates are offered subject to prior sale, when, as and if issued and received by us, subject to approval of the Interstate Commerce Commission and the District Court of the United States for the District of Connecticut.

**SALOMON BROS. & HUTZLER** **STROUD & COMPANY**

Incorporated

April 30, 1947.

## Securities Salesman's Corner

By JOHN DUTTON

### Timely Message From Comstock & Co. of Chicago

Last week a card entitled "Let's Go To Work!" was mailed to investment dealers throughout the country by the above investment firm. It starts off by saying that in their office they have a quotation displayed which states that "Lazy men are just as useless as Dead Ones and take up More Room." The point is made that many of us follow the line of least resistance in this business. When the going gets a bit rugged many salesmen take it for granted that they should sit back and loaf, instead of going out and "beating the bushes for business." Naturally when this happens business is bound to be less active than when an effort is made to push things along.

In this respect we might add to Comstock's very correct analysis of what is now going on in securities firms by bringing to your attention that a habit of resting on your oars becomes contagious to all those around you. As they put it, "We believe that a combination of concentrated leg and brain work could easily change the lackadaisical attitude of the investment public. Meanwhile bargains in securities are going begging because the salesman is following the line of least resistance." If you are infecting those around you with pessimism and a "what's the use" attitude, the chances are that you are doing the same thing to your customers. Optimism and pessimism have their genesis in the emotions, one is a powerful force for success and progress the other is as potent a force for failure. As the card aptly put it, "the richest and most powerful nation the world has ever known is constantly beset by Fears most of which will never materialize. And . . . 'We all know that even in a declining market, every seller must have a buyer to complete a trade, AND THERE ARE BUYERS.'"

We should have more of this type of advertising in the investment business. After all is said and done the main purpose of advertising is to create an atmosphere of good will and confidence in the advertiser so that the way is cleared for business to be developed in the natural course of events. Surely investment dealers who receive such a message as this from another firm will think highly of those who sent it. This sort of advertising can also be applied at the point of local interest in your own community with just as constructive an effect. If you have something to say that will be of interest to ALL the people in your town, not just the investors alone, say it. But say it well. Don't overtalk or let it get sloppy. If you do this consistently, whenever the opportunity arises, you will find it the most effective type of advertising that you could use. If you wish to create an atmosphere of good will, be human, be part of your community, avoid the controversial, and tell others about it. There are Red Cross drives, Cancer Fund Committees, or activities that help the boys and girls in your town, civic undertakings, and occasions when an expression of faith in your country and community will do more to bring you and your firm favorably before your public than can be accomplished by any other kind of advertising.

"Let's Go To Work! !" Thanks Comstock! You are backed up by years of historical precedent which prove to us that markets go down then up, and down again and up again, but those who consistently go ahead are sure of one thing, the U. S. A. will still be doing business at the same old stand next year, and the year after and for many years after that. If that isn't true then "The lazy among us are right, and the rest of us might just as well be dead."

### Form Oppenheimer, Vanden Broeck & Co.

Oppenheimer, Vanden Broeck & Co., members of New York Stock Exchange and associate members New York Curb Exchange, will open offices on May 1 at 40 Exchange Place, New York City, to transact a domestic and international brokerage business including foreign currency securities. The new firm has correspondents in major financial centers of the world.

Winfried H. Oppenheimer, Alfred L. Vanden Broeck, Frank Neu and Robert Ranger Lansburgh, member New York Stock Exchange, are general partners of the firm. Robert J. Ullman and George W. Ullman are limited partners.

Members of the new firm have been prominent in the foreign banking and securities fields.

Formation of the new firm was previously reported in the "Financial Chronicle" of April 3rd.

### Pennsylvania Bankers To Convene in May

PHILADELPHIA, PA.—Edmund W. Thomas, President Pennsylvania Bankers Association, has announced the following three speakers for the Association's annual convention to be held at the Hotel Traymore, Atlantic City, May 21-23: C. W. Bailey, President American Bankers Association; D. Emmert Brumbaugh, Secretary of Banking, and Theodore R. McKeldin, Mayor of Baltimore.

### Hopkinson, Schram to Address Exch. Firms

Edward Hopkinson, Jr., Drexel & Co., Philadelphia, President Investment Bankers Association, and Emil Schram, President of the New York Stock Exchange, will address a dinner meeting of Association of Stock Exchange firms in Washington on May 15.

## Let's Shrink Our Worries!

(Continued from page 5)

was echoing mildly what other people say in more detail.

Yet was there ever a time when skies were "clear," when times were not "trying," "difficult" and "dangerous," and when problems confronted people that apparently could not be solved?

I was going through some old notes the other day and ran across a speech that General Hugh Johnson made here in New York exactly 10 years ago this month. Here is a sentence from that April, 1937, speech:

"Where is the solution for the problems that belabor and frighten us today? . . . Hatred, greed, misunderstanding and prejudice are driving nations inevitably toward murderous wars."

And going further back, it was Shakespeare who had Hamlet say:

"The time is out of joint, O cursed spite, that ever I was born to set it right!"

### Some of Our Problems

True enough, we have our problems. Here are some of them:

- (1) High prices which threaten our prosperity.
- (2) Strikes and strike threats.
- (3) Demands for legislation to control organized labor.
- (4) Unbalanced trade. Exports that are taking \$16 billion of goods out of the country this year, as against imports of \$9 billions.
- (5) Enormous tax burdens, and the need for income tax relief.
- (6) The need for economic assistance to prostrate nations throughout the world.
- (7) The need for relief and food for helpless, starving millions.
- (8) The contest of private enterprise against the philosophy of state control.
- (9) The deadlock in arriving at an adequate, just and workable peace.

There, then, is a list of things that we worry about today. . . . I don't know whether this list is the basis of the worry of our women as well as our men, but as it is, the women are worrying too. In this morning's New York "Times" there appeared a report of a forum that was held here yesterday. Dr. Marynia F. Farnham, psychiatrist and author, contributed to the discussion by asserting that American women, the richest in material privileges, are the most unhappy women in the world. "They have no grasp of the real privilege of being happy," said Dr. Farnham. Margaret Culkin Banning, the author, said that women's unhappiness is contributing in great measure to the world's nervousness and unrest. "The basic unhappiness in the world" said Miss Banning "is curable only if we can do something about women, because they have such tremendous influence on men."

Of course, we are not a nation of neurotics. Life being what it is we cannot help but be conscious of the things that are designed to worry us. Still, by contrast, we only a little while ago had other and even more serious matters to worry about. I recall vividly the month of April of only two years ago, 1945, when all of us who were not in uniform were preparing for the Seventh War Loan. True, we were witnessing the defeat of Germany, and we were seeing the beginning of the defeat of Japan. But for all of us then, and especially for our 10,000,000 boys in the armed forces, life was pretty grim. And only three years ago this month things were even more grim. The Germans were then in France, Belgium and Italy; Hitler was in control of the Continent of Europe; General MacArthur was a thousand miles from the Philippines.

### A Wider Perspective

Now, then, in what light should we properly look at our current problems? I would say, if you

ask me, that we should stand off a little way, and look at them in the light of a wide perspective. If we did that, what would we see? First off, we would see that our American people have emerged from the war not only victorious but unequalled in economic might. During the war we built our resources enormously, so that today our productive capacity is prodigally large. Having 6% of the world's population we are turning out 25% of the world's goods, a current annual income—to use the figure President Truman used on Monday—of \$176,000,000,000; an amount enormously greater than any peacetime year prior to the war.

I never cease being amazed at the magnificent measures of our strength. Think of what we did during the war. In the five years ending Dec. 31, 1945, the United States Treasury raised the colossal sum of \$378,000,000,000 to finance the war, 40% of it being obtained from taxes. And the goods produced, which that amount represented, came virtually from within our own borders. We not only financed our own war expenses but we helped finance our allies, advancing to them under lendlease and otherwise the sum of \$47 billions and we do not count on the ultimate return of more than a fraction of that huge amount.

In a material sense we are far-and-away the strongest, richest and most prosperous people on earth. We have emerged from the war more productive, industrially, than ever, while other great nations and people have collapsed. With a few notable exceptions the industries of other people are prostrate, or at best terribly crippled. It would almost seem that the destiny that has formed the pattern of our existence has determined to send us ever onward. Ours is a heritage that every nation on earth envies and that, given a choice, half the people on earth would migrate to share with us. Without trying to be poetic, we have numerous blessings that should make us great—a healthy people, an abundance of food, unlimited opportunity for work, and large hopes for tomorrow. We have made long and steady and genuine progress in living conditions, in culture, in education, in social and race relations, in the recognition of human rights.

We should be consciously aware, every hour that we live, of possessing what so many other people prized and lost—liberties that enable us as individuals to walk as free men, without fetters. We have the right of free press, free speech and free assemblage. We are a people who are growing less and less class and caste conscious, and whatever the trend may be in divorce statistics, juvenile delinquency and the like, tens of millions of Americans have a continuing and deep and happy feeling for the sacredness of family ties, and a wide sense of kinship and responsibility for those who count on them in their lives. Ours are still the most neighborly people imaginable; we still have our native sense of fun and our unconquerable American sense of humor.

### Realistic Optimism

Now, in the light of all this shouldn't we shrink our worries to a proper proportion? Of course, any optimism that ignores our present real problems would be as irrational as any pessimism that builds its whole case on those problems. We want no irrational optimism today. What we want is an optimism that will come to grips with whatever spirit of despair is abroad, and that will match and master it. The challenge of today is to find out the realities of our current position. It is to find the place where we

can help ourselves and our fellow-men adequately, and where we can breathe, in a post-war world, freely and naturally.

This type of optimism is not unrealistic; it is opposed to any attitude of worrying ourselves sick and into a depression over the weaknesses in our social and economic structure. To quote President Truman once more he spoke truly on Monday when he said—"We can talk ourselves into a depression."

It is clear to me that if we are to permit ourselves any overwhelming worry now, it should be over our attitude toward ourselves. We need to be impressed with the importance of emotional as well as logical remedies for our ills. Of course, we have to see to it that our industrial, commercial and financial routines continue uninterrupted. But a great responsibility is to see that the same holds true of those routines which affect our individual and group morale. We must be alert to keep intact the constructive forces which affect the thinking of our people, and which must continue to do so if we are to maintain our tried and tested routines—our democratic routines, if you will.

Looking ahead, then, there are burdens for us to bear. But we can bear them. Nothing worth while was ever achieved without understanding and enthusiasm, and we as a people are capable of these. We have observed in other parts of the world the breakdown of old routines, and by right thinking and sound enthusiasms we shall avoid the precedents that have brought despair to those other parts of the world. For our own welfare then, and for the welfare of much of the civilized world, we need to stand by the tried and tested routines that in the past have meant so much to America, and that if properly supported and maintained will be vital to her in the days and years to come.

### Shelby Cullom Davis Opens Investment Firm

Shelby Cullom Davis, who recently resigned as Deputy Superintendent of Insurance of the State of New York, has formed



Shelby Cullom Davis

his own stock exchange firm, Shelby Cullom Davis & Co. The company will conduct a general investment business specializing in securities of American insurance companies and in their markets. Associated with the firm as manager of the insurance stock department will be Frank L. Brokaw who has specialized in insurance stocks for over 20 years. The firm will be located at 110 William Street in offices previously occupied by F. L. Brokaw & Co.

Mr. Davis served as Deputy Superintendent of Insurance for three years. Prior to his appointment to the New York State Insurance Department, Mr. Davis had been on a special assignment with the War Production Board which he undertook at the outbreak of World War II. Before joining the War Production Board, Mr. Davis was in the securities business as a member of the New York Stock Exchange.

Formation of the firm was previously reported in the "Financial Chronicle" of April 17th.

### Over-the-Counter Quotation Services For 34 Years

### NATIONAL QUOTATION BUREAU, Inc.

Established 1913

46 Front Street, New York 4, N. Y.

Chicago

San Francisco

## Future Real Estate Prices

(Continued from page 9)

er all the charges have been deducted from gross income, including proper reserves for replacements and depreciation. Minimum capitalization rates of 4½% may be applied to unusual properties. These properties would have to be ideal in every respect—100% location, proper size for utility for the tenant's business, a good successful management record by the tenant, a financially responsible tenant on the lease, a lease calling for a warranted rent based on the ability of that particular location to earn such rent and lease payments comparable in the area paid by other competitive merchants. This situation offers the investor the ideal investment; if by any remote accident, the tenant decides to move, the owner should have little trouble in re-renting the premises to another tenant at the same rental. As we move from this property under ideal circumstances to others that lack these characteristics, there must be a corresponding addition to the capitalization rate for the loss of each quality. For example, a Woolworth or Kresge lease calling for a rental substantially in excess of the warranted rental would be reflected in a higher capitalization rate and might vary from 4¾% to 7% depending on the amount of excess rental. Many appraisers should use two rates—perhaps 4½% to that portion representing warranted rental and 7% to 10% to that part representing the excess rentals. It may be pertinent to point out that the Treasury Department allows such split rates in the valuation of properties for inheritance purposes where excess rentals are clearly shown.

Well-located business properties in suburban areas ought to be capitalized around 5%. They offer good possibilities of enhancement in value as purchasing power increases in the surrounding area. The risk is somewhat greater, however, than that on a property in a well-entrenched 100% location and the capitalization rate should properly reflect the additional hazards. As commercial properties move out of riveted areas, the non-liquidity, management and risk features increase and the capitalization rate reflects the difference. By the time we attempt to capitalize industrial waterfront or pier rentals, the capitalization rate is in the 12% to 15% bracket. The same basis of analysis applies to apartment houses. Those apartment houses that are well-located, are well-built and have apartments and rooms well laid-out and properly proportioned, can be properly capitalized at 5% after adequate reserves have been set-up for replacements and depreciation. As we move upward into the luxury class, the inherent hazards increase and the capitalization rate correspondingly increases. The potentially lower number of available clients able to pay premium rents, the possibility of necessary retrenchment in a slight recession and present high income taxes make this type of net income much more volatile.

Let me emphasize at this point that there seems to be less possibility of erring on the low side than on the high side in the capitalization of apartment houses. There is no immediate prospect of lower building costs—as materials become more available and hourly productivity of labor more efficient, higher wages and labor bickering will more than offset the savings. So new competition to present apartments is not too important a factor—and eventually rents are going to be increased. Operating expenses will also increase but the overall picture should reflect increased net income for this type of property in the future.

One-story modern industrial properties properly located as to transportation, labor and local taxes should reflect market value on capitalization rates as low as 6%. Old multi-story buildings or those carrying onerous tax loads should obviously be capitalized at higher rates.

Special purposes properties such as gasoline stations should reflect capitalization rates of 10% even under nationally known oil company sponsorship. Here let me bring to you a tendency which has blossomed out in recent years to become a most important factor. The payment of rent is often guaranteed by some large oil company, such as Gulf, Texas or Sinclair. The value of the property is then determined by a recapture of the fee value during the term of guaranteed rental and the owner (and often the mortgagee) are satisfied with a very small return, feeling that the security on the lease is the important thing and that the value of the real estate (per se) is secondary. These oil companies often point to the low rate of interest paid on their bonds and maintain that rates on their real estate leases should be approximately the same. But the two types of security are different and the rate of return should reflect this difference—one is more or less short-term financing offering liquidity; the other is long-term financing without liquidity. Eleemosynary institutions having huge endowment funds have purchased good commercial properties, such as department stores at unusually low rates of return. Some of these institutions have sizable funds for such investment. For example, Harvard has an endowment fund of \$156,000,000, Yale of \$123,000,000, Columbia of \$87,000,000 and University of Chicago of \$70,000,000.

### Life Insurance Investment

Even more important than this source of funds for investment in real estate is recent legislation allowing life insurance companies to purchase real estate equities. Up to Feb. 1, 1947, over \$87,000,000 has already been invested by insurance companies in real estate investments. These sums are, of course, in addition to the funds invested in housing projects throughout the country. The past investment of these funds and the future potential investment or more funds from these sources have had a definite tendency to lower the return on real estate equities and consequently increase the price such properties may command in this market.

The good appraiser of real estate uses the same judgment and discernment as the good economist. He attempts to forecast the future as a general trend and his values predict a fairly even flow of income.

Applied capitalization rates, of course, reflect long-term earning capacities and business conditions. A careful analysis of these factors, seem to me, to lead to the following conclusions:

1947-1948-1949 and 50 ought to continue to be good years. There will probably be a slight slide-off during 1948 and I think it will be of minor consequence; 1949-1950 will be probably at a fairly even level.

From 1950 through 1955 economic conditions ought to continue to be good, unless additional governmental burdens are placed on business or the foreign situation badly upsets our export possibilities. Analysis and careful study of heavy industry and construction prospects confirm these conclusions.

Barring unforeseeable possibilities, therefore, business conditions should be fairly level for the next seven or eight years and

capitalization rates should not include any additional hazards beyond those which we have already given consideration.

## Salomon Bros. Offers New Haven Equip. Issue

Salomon Bros. & Hutzler, and Stroud & Co., Inc., won the award of \$5,265,000 equipment trust certificates, maturing May 1, 1948-62, put up for sale by trustees of New York, New Haven & Hartford RR. April 29. Their bid named a price of 98.67 for a 2% coupon, a net interest cost of

2.1682%. Salomon Bros. & Hutzler, and Stroud & Co., Inc., are reoffering certificates, subject to Interstate Commerce Commission approval, at prices to yield from 1.15% to 2.40%.

The certificates are designed by the New Haven to finance not more than 80% of the purchase price of new equipment with an estimated cost of \$6,581,250.

## Frank Bliss & Co. to Admit Stanley to Firm

On May 8th Stanley T. Stanley will become a partner in Frank E.

Bliss & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, and the firm name will be changed to Bliss & Stanley. Mr. Stanley was formerly with Merrill Lynch, Pierce, Fenner & Beane.

## Baltimore Bond Club Announces Outing

BALTIMORE, MD.—The Bond Club of Baltimore announces that it will hold its annual Field Day and Outing on Friday, June 6th at the Elkridge Club.

*All of these securities having been sold, this advertisement appears as a matter of record only and is not under any circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any such securities.*

NEW ISSUE

April 30, 1947

45,736 Shares

**Pitney-Bowes, Inc.**

**4¼% Convertible Preferred Stock**

(Cumulative, \$50 par value)

Of the 45,736 shares offered to holders of Common Stock of the Corporation 38,199 shares were subscribed for upon the exercise of Subscription Warrants issued to such holders of Common Stock, including 21,234 shares subscribed for through the exercise of Subscription Warrants purchased by Underwriters. The 7,537 shares which were not subscribed for through the exercise of Subscription Warrants and the 21,234 shares which were subscribed for by the Underwriters through the exercise of Subscription Warrants purchased by them, have been sold.

### The First Boston Corporation

Goldman, Sachs & Co.

Hornblower & Weeks

Merrill Lynch, Pierce, Fenner & Beane

Estabrook & Co.

Putnam & Co.

Whiting, Weeks & Stubbs

*This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.*

390,000 Shares

**Northwest Airlines, Inc.**

**4.60% Cumulative Preference Stock**  
(\$25 Par Value, convertible prior to 1957 unless previously redeemed)

**Price \$25 per Share**

*Copies of the Prospectus may be obtained from the undersigned only in such States where the undersigned may legally offer these Securities in compliance with the Securities Laws thereof.*

### Auchincloss, Parker & Redpath

The First Boston Corporation

Hornblower & Weeks

Shields & Company

Kidder, Peabody & Co.

Merrill Lynch, Pierce, Fenner & Beane

Paine, Webber, Jackson & Curtis

White, Weld & Co.

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# UNION PACIFIC RAILROAD COMPANY

FIFTIETH ANNUAL REPORT—YEAR ENDED DEC. 31, 1946

## To the Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended Dec. 31, 1946, for the Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to the Union Pacific Railroad Company. The lessor companies have certain income and charges, and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, excluding offsetting accounts between the companies.

### INCOME

The operated mileage at close of year and income for the year 1946, compared with 1945, were as follows:

Operated Mileage at Close of Year	1946	1945	Increase	Decrease
Miles of road	9,774.91	9,777.38	-----	2.47
Miles of additional main track	1,531.45	1,531.29	-----	.16
Miles of yard tracks and sidings	4,490.59	4,480.41	10.18	-----
Total Mileage Operated	15,796.95	15,789.08	7.87	-----

Transportation Operations				
Operating revenues	\$361,395,534.29	\$491,877,872.15	-----	\$130,482,337.86
Operating expenses	286,809,739.61	362,286,584.09	-----	75,476,844.48
Revenues over expenses	\$74,585,794.68	\$129,591,288.06	-----	\$55,005,493.38
Taxes	35,403,648.23	84,536,069.79	-----	49,132,421.56
Railway Operating Income	\$39,182,146.45	\$45,055,218.27	-----	\$5,873,071.82
Rents from use of joint tracks, yards and terminal facilities	1,816,712.47	1,942,030.21	-----	125,377.74
	\$40,998,858.92	\$46,997,308.48	-----	\$5,998,449.56
Hire of equipment—debit balance	\$10,999,214.01	\$12,609,545.29	-----	\$1,610,331.28
Rents for use of joint tracks, yards, and terminal facilities	3,046,293.10	3,280,210.54	-----	233,917.44
	\$14,045,507.11	\$15,889,775.83	-----	\$1,844,248.72
Net Income from Transportation Operations	\$26,953,351.81	\$31,107,552.65	-----	\$4,154,200.84

Income from Investments and Sources other than Transportation Operations				
Income from oil and gas operations—net	\$6,621,631.34	\$6,172,237.69	\$449,393.65	-----
Dividends on stocks owned	2,913,483.50	4,233,693.50	-----	\$1,320,210.00
Interest on bonds and notes owned	1,029,556.83	1,190,718.22	-----	161,161.33
*Income from unfunded securities and accounts	2,501,987.80	2,190,710.75	311,277.05	-----
Rents from lease of road and equipment	315,029.74	151,883.87	163,145.87	-----
Miscellaneous rents	510,356.02	469,359.93	40,996.09	-----
Miscellaneous income	1,906,345.09	2,187,289.95	-----	280,944.86
Total	\$15,798,390.38	\$16,595,893.91	-----	\$797,503.53
Total Income	\$42,751,742.19	\$47,703,446.56	-----	\$4,951,704.37

Fixed and Other Charges				
Interest on funded debt	\$11,384,595.08	\$13,505,867.01	-----	\$2,121,271.93
Interest on unfunded debt	365,187.93	391,769.61	-----	26,581.68
Miscellaneous rents	32,053.33	51,969.38	-----	19,916.05
Miscellaneous charges	538,302.57	722,260.68	-----	183,958.11
Total	\$12,320,138.91	\$14,671,866.68	-----	\$2,351,727.77

Net Income from All Sources	\$30,431,603.28	\$33,031,579.88	-----	\$2,599,976.60
Released from "Reserve against possible refunds on U. S. Government shipments"	3,780,134.95	1,618,699.29	2,161,435.66	-----
Total for Disposition	\$34,211,738.23	\$34,650,279.17	-----	\$438,540.94

### DISPOSITION

Dividends on Stock of Union Pacific Railroad Co.:				
Preferred stock:				
2 per cent paid April 1, 1946	\$1,990,862.00	-----	-----	-----
2 per cent paid October 1, 1946	1,990,862.00	\$3,981,724.00	\$3,981,724.00	-----
Common stock:				
1½ per cent paid April 1, 1946	\$3,334,365.00	-----	-----	-----
1½ per cent paid July 1, 1946	3,334,365.00	-----	-----	-----
1½ per cent paid October 1, 1946	3,334,365.00	-----	-----	-----
1½ per cent payable January 2, 1947	3,334,365.00	13,337,460.00	13,337,460.00	-----
Total Dividends	\$17,319,184.00	\$17,319,184.00	-----	-----

Transferred to Earned Surplus—Unappropriated	\$16,892,554.23	\$17,331,095.17	-----	\$438,540.94
*Includes interest on short-term U. S. Government obligations carried in balance sheet account, "Temporary cash investments."				

### Operating results for year 1946 compared with year 1945:

	1946	1945	Increase	Decrease	Per Cent
Average miles of road operated	9,775.33	9,779.41	-----	4.08	-----
OPERATED REVENUES					
Freight	\$263,825,662.84	\$355,546,157.57	-----	\$91,720,494.73	25.8
Passenger	64,767,862.71	96,370,042.20	-----	31,602,179.49	32.8
Mail	7,928,255.67	8,800,411.65	-----	872,155.98	9.9
Express	6,420,630.93	8,642,899.91	-----	2,222,268.98	25.7
Other passenger-train	8,321,134.77	10,455,930.00	-----	2,134,795.23	20.4
Switching	2,732,891.12	2,768,377.50	-----	35,486.38	1.3
Other	7,399,096.25	9,294,053.32	-----	1,894,957.07	20.4
Total operating revenues	\$361,395,534.29	\$491,877,872.15	-----	\$130,482,337.86	26.5
OPERATING EXPENSES					
*Maintenance of way and structures	\$46,576,730.42	\$69,794,445.10	-----	\$23,217,714.68	33.3
*Maintenance of equipment	69,235,048.90	117,834,077.49	-----	48,599,028.59	41.2
Total maintenance	\$115,811,779.32	\$187,628,522.59	-----	\$71,816,743.27	38.3
Traffic	7,880,227.66	7,538,714.08	\$341,513.58	-----	4.5
Transportation	140,262,539.14	144,300,151.75	-----	4,037,612.61	2.8
Miscellaneous operations	13,633,024.46	14,203,419.92	-----	570,395.46	4.0
General	9,222,169.03	8,615,775.75	606,393.28	-----	7.0
Total operating expenses	\$286,809,739.61	\$362,286,584.09	-----	\$75,476,844.48	20.8
Revenues over expenses	\$74,585,794.68	\$129,591,288.06	-----	\$55,005,493.38	42.4

TAXES	1946	1945	Increase	Decrease	Per Cent
State and county	\$12,480,000.00	\$11,852,758.47	\$627,241.53	-----	5.3
Federal income and excess-profits	\$12,269,366.11	\$60,600,000.00	-----	\$48,330,633.89	79.8
Federal capital stock	4,791,085.07	722,557.50	-----	722,557.50	100.0
Federal unemployment insurance	5,573,650.58	5,344,508.50	-----	553,423.43	10.4
Federal retirement	289,546.47	5,769,785.08	-----	196,134.50	3.4
Other Federal	-----	246,460.24	\$43,086.23	-----	17.5
Total Federal	\$22,923,648.23	\$72,683,311.32	-----	\$49,759,663.09	68.5
Total taxes	\$35,403,648.23	\$84,536,069.79	-----	\$49,132,421.56	58.1
Railway operating income	\$39,182,146.45	\$45,055,218.27	-----	\$5,873,071.82	13.0
Equipment rents (debit)	10,999,214.01	12,609,545.29	-----	1,610,331.28	12.8
Joint facility rents (debit)	1,229,580.63	1,338,120.33	-----	108,539.70	8.1
Net railway operating income	\$26,953,351.81	\$31,107,552.65	-----	\$4,154,200.84	13.4
Per cent—Operating expenses of operating revenues	79.36	73.65	5.71	-----	7.8
FREIGHT TRAFFIC					
(Commercial Freight only)					
Tons of revenue freight carried	48,002,636	56,505,272	-----	8,502,636	15.0
Ton-miles, revenue freight	27,474,365.447	35,546,845.368	-----	8,072,479.921	22.7
Average distance hauled per ton (miles)	572.35	629.09	-----	56.74	9.0
Average revenue per ton-mile (cents)	.960	1.000	-----	.040	4.0
Average revenue per freight-train mile	\$8.66	\$9.65	-----	\$0.99	10.3
PASSENGER TRAFFIC					
(Excludes Motor-Car Trains)					
Revenue passengers carried	4,730,542	7,596,011	-----	2,865,469	37.7
Revenue passengers carried one mile	3,645,281.435	5,740,885.433	-----	2,095,603.998	36.5
Average distance hauled per passenger (miles)	770.58	755.78	14.80	-----	2.0
Average passengers per passenger-train mile	191.84	282.92	-----	91.08	32.2
Average revenue per passenger-mile (cents)	1.772	1.674	.098	-----	5.9
Average revenue per passenger-train mile, passengers only	\$3.40	\$4.74	-----	\$1.34	28.3
Average total revenue per passenger-train mile	\$4.30	\$5.62	-----	\$1.32	23.5
*Includes depreciation, amortization and retirement charges:					
Maintenance of way and structures	\$4,795,776.02	\$13,373,932.00	-----	\$8,578,155.98	-----
Maintenance of equipment	9,431,380.55	42,752,830.18	-----	33,321,449.63	-----

### GENERAL BALANCE SHEET—ASSETS

	December 31, 1946	December 31, 1945	Increase	Decrease
Investments:				
Road and Equipment	\$1,080,102,580.09	\$1,063,759,817.56	\$16,342,762.53	-----
Less:				
Receipts from improvement and equipment fund	\$23,823,091.13	\$23,823,091.13	-----	-----
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52	-----	-----
Total	\$37,133,327.65	\$37,133,327.65	-----	-----
Road and equipment property	\$1,042,969,252.44	\$1,026,626,489.91	\$16,342,762.53	-----
Donations and grants (Credit)	\$11,795,048.39	\$11,688,023.60	\$107,025.79	-----
Reserve for depreciation—road and equipment (Credit)	\$173,435,083.69	\$166,091,411.72	\$7,343,671.97	-----
Reserve for amortization of national defense projects (Credit)	\$59,437,104.76	\$59,333,693.90	\$103,410.86	-----
Sinking funds	\$2,567.50	\$50.00	\$2,457.50	-----
Capital and other reserve funds	\$539,935.64	\$345,689.97	\$194,245.67	-----
Miscellaneous physical property	\$26,192,714.72	\$25,115,858.79	\$1,076,855.93	-----
Reserve for depreciation—miscellaneous physical property (Credit)	\$12,922,357.52	\$11,818,789.57	\$1,103,567.95	-----
Investments in affiliated companies:				
Stocks	\$18,679,195.24	\$18,679,187.24	\$8.00	-----
Notes	348,344.43	360,720.66	-----	\$32,376.23
Advances	8,771,547.76	9,472,413.04	-----	700,865.28
Total	\$27,799,087.43	\$28,532,320.94	-----	\$733,233.51
Investments in other companies:				
Stocks	\$64,052,376.08	\$64,148,974.03	-----	\$96,597.95
Bonds and notes	22,725,409.57	22,859,731.36	-----	134,321.79
Total	\$86,777,785.65	\$87,008,705.39	-----	\$230,919.74
Reserve for adjustment of investments in securities (Credit)	\$33,845,942.13	\$33,905,324.96	-----	\$59,382.83
Total Investments	\$892,845,745.89	\$884,791,871.25	\$8,053,874.64	-----
Current Assets:				
Cash	\$43,001,365.39	\$70,830,773.85	-----	\$27,829,408.46
Temporary cash investments (U. S. Government securities)	162,446,022.76	210,000,000.00	-----	47,553,977.24
Special deposits	1,772,703.93	3,552,243.11	-----	1,779,539.18
Loans and bills receivable	28,940.00	2,541.60	\$26,398.40	-----
Traffic and car-service balances—net	9,017,861.12	-----	9,017,861.12	-----
Net balance receivable from agents and conductors	4,167,836.28	4,355,537.53	-----	187,701.25
Miscellaneous accounts receivable	12,216,168.34	24,228,879.37	-----	12,012,711.03
Material and supplies	34,845,661.75	34,733,652.93	112,008.82	-----
Interest and dividends receivable	2,353,992.07	2,543,269.22	-----	189,277.15
Accrued accounts receivable	9,071,675.75	16,338,189.73	-----	7,266,513.98
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	110,133.30	110,315.10	-----	181.80
Miscellaneous items	189,843.90	8,265,048.55	-----	8,175,204.65
Total Current Assets	\$279,222,204.59	\$375,060,450.99	-----	\$95,838,246.40
Deferred Assets:				
Working fund advances	\$107,753.46	\$103,923.98	\$3,829.48	-----
Other deferred assets	33,020,922.56	25,792,765.44	7,228,157.12	-----
Total Deferred Assets	\$33,128,676.02	\$25,896,689.42	\$7,231,986.60	-----
Unadjusted Debits:				
Prepayments	\$3,807.81	\$17,854.02	-----	\$14,046.21
Other unadjusted debits	1,482,300.03	1,351,031.80	\$131,268.23	-----
Total Unadjusted Debits	\$1,486,107.84	\$1,368,885.82	\$117,222.02	-----
Grand Total	\$1,206,682,734.34	\$1,287,117,897.48	-----	\$80,435,163.14

\*Loss from sale of Baltimore & Ohio R. R. Co. common stock, charged to this account.

## ADVERTISEMENT

## GENERAL BALANCE SHEET—LIABILITIES

	December 31, 1946	December 31, 1945	Increase	Decrease
<b>Capital Stock:</b>				
Common stock	\$222,302,500.00	\$222,302,500.00		
Preferred stock	99,591,580.79	99,591,580.79		
Total Capital Stock	\$321,894,080.79	\$321,894,080.79		
<b>Funded Debt</b>	319,891,869.58	366,315,157.18		\$46,423,287.60
Total	\$641,785,950.37	\$688,209,237.97		\$46,423,287.60
<b>Due to Affiliated Companies</b>	\$9,470,009.92	\$5,413,753.73	\$4,056,256.19	
<b>Current Liabilities:</b>				
Traffic and car-service balances—net		\$1,438,168.06		\$1,438,168.06
Audited accounts and wages payable	\$23,814,245.01	29,804,058.68		5,989,813.67
Miscellaneous accounts payable	3,084,545.13	4,069,275.10		404,329.97
Interest matured unpaid:				
Coupons matured, but not presented	1,931,289.84	1,815,110.21	\$116,179.63	
Coupons and interest on registered bonds, due first proximo	2,191,285.00	2,857,367.50		666,082.50
Dividends matured unpaid:				
Dividends due but uncalled for Extra dividend on common stock declared Jan. 8, 1914, payable to stockholders of record March 2, 1914, unpaid	118,876.61	119,058.41		181.80
Dividend on common stock payable second proximo	3,334,365.00	3,334,365.00		
Unmatured interest accrued	1,692,014.03	1,501,713.33	190,300.70	
Accrued accounts payable	7,289,449.10	9,133,473.09		1,844,023.99
Taxes accrued	32,170,473.67	78,122,648.44		45,952,174.77
Other current liabilities	3,356,353.57	2,897,968.11		541,614.54
Total Current Liabilities	\$79,919,994.21	\$136,427,355.57		\$56,507,361.36
<b>Deferred Liabilities</b>	\$7,676,282.09	\$8,135,336.94		\$459,054.85
<b>Unadjusted Credits:</b>				
Premium on funded debt	\$5,250,429.32	\$3,721,400.31	\$1,529,029.01	
Reserve for fire insurance	14,364,846.60	13,925,408.33	1,039,438.27	
Reserve for depreciation—leased property	5,236.42	3,480.20	1,756.22	
Other unadjusted credits:				
Contingent interest	120,023.34	17,819.99	102,203.35	
Miscellaneous items	33,673,293.32	26,189,342.60	7,483,951.32	
Total Unadjusted Credits	\$54,013,829.00	\$43,857,450.83	\$10,156,378.17	
<b>Total Liabilities</b>	\$792,866,065.59	\$882,043,135.64		\$89,177,069.45

## ADVERTISEMENT

## Surplus:

Paid-in surplus	
Earned surplus—appropriated:	
Additions and betterments	\$28,522,352.23
Funded debt retired through income and surplus	3,118,978.66
Sinking fund reserves	2,507.50
Reserve against possible refunds on U. S. Government shipments	2,742,146.21
Total Earned Surplus—Appropriated	\$35,385,984.60

## Earned Surplus—Unappropriated

## Total Earned Surplus

## Total Surplus

As this consolidated balance sheet excludes all intercompany items, securities of the Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company owned by other System companies are not included. The difference between the par and face value of such securities as carried on the books of the issuing companies (less unextinguished discount on the bonds and discount charged to Earned Surplus—Unappropriated but added back in consolidating the accounts) and the amounts at which the securities are carried on the books of the owning companies is set up here to balance

## Grand Total

December 31, 1946	December 31, 1945	Increase	Decrease
\$260.00	\$360.00		
\$28,522,352.23	\$28,522,352.23		
3,118,978.66	2,586,478.66	\$532,500.00	
2,507.50	50.00	2,457.50	
2,742,146.21	7,522,281.16		\$3,780,134.95
\$35,385,984.60	\$38,631,162.05		\$3,245,177.45
\$238,845,276.91	\$226,872,570.65	\$11,972,706.26	
\$374,231,261.51	\$365,503,732.70	\$8,727,528.81	
\$374,232,121.51	\$365,504,592.70	\$8,727,528.81	
\$39,584,547.24	\$39,570,169.74	\$14,377.50	
\$1,206,682,734.34	\$1,287,117,897.48		\$80,435,163.14

## EXPENDITURES CHARGEABLE TO INVESTMENT IN ROAD AND EQUIPMENT PROPERTY

Additions and Betterments (excluding equipment)	\$5,817,507.47
Equipment	16,995,281.89
Total Expenditures	\$22,812,789.36
Credits to investment in Road and Equipment Property:	
Cost of property retired and not replaced	\$1,107,366.14
Cost of equipment retired	5,362,640.69
Total Credits	\$6,470,006.83
Net increase in investment in "Road and Equipment Property"	\$16,342,782.53

## Taxes in the Years Ahead

(Continued from page 5)

ductions in the Federal Budget, but even when our economy has attained some semblance of stability, government expenditures will still be high. The budget will be huge, primarily because we must pay the price of war to the extent that it can be measured in dollars. Payments must be made toward reducing the 260 billion dollar Federal debt. For the purposes of this discussion I shall assume that our Federal revenue requirements will be not less than 25 billion dollars annually for the normal long-run future. This is five times as much as was ever collected in peace time before the second world war.

State and national governments will collect another 10 billion dollars, making our total tax bill about 35 billion dollars. This is an amount equal to about half of our entire national income in many good prewar years.

Can our national economy stand this load? Can the free enterprise system, as we know it—or any other system—be expected to contribute this huge sum without forcible confiscation? We face a situation requiring courage, determination, and a will to produce.

### Taxes Must Be Supported by Production

In order to bear this great burden we need a strong, vigorous economy. People must be working, and earning, and spending. Above all there must be incentives to encourage people to work hard, to expand their business, and to increase production.

### High Production due to Incentives and Rewards

We all know that our American standard of living is the highest the world has ever seen, that we have more telephones, more automobiles, more bathtubs, more radios, and more to eat in proportion to our population, than any other country in the world. This is partly because of our great

national resources, but it is mainly because of high production per capita of our industrial and agricultural workers. Such productivity is possible only under a competitive system where there is an incentive to furnish more and better tools to the workers so that the combination of workers and tools increases production and distribution at prices which the people are willing and able to pay.

Earnings are the reward that come to those who serve the public by furnishing it with what it wants in the most efficient manner. The hope of money reward is the best all-round incentive for doing a better job and it is equally effective with the men in the factory or office, the salesman in the field, the executives who do the planning, and the owners who furnish the plants and tools.

### Preserve Rewards and Incentives

We must recognize the importance of safeguarding our economy and the principles under which it thrives, so that it can produce the huge income required as a source for this great tax load. It is far more important for us to concern ourselves with the production of income, which in turn will yield taxes, than to be concerned with the enactment of more and more tax legislation. I believe that whatever may be the pattern or method for distributing the tax burden of our government, it must give full recognition to the importance of preserving the rewards and incentives which are the cornerstone of our economic system.

### Taxing Ability to Pay

Our income tax rates upon individuals are graduated in theory, at least, in accordance with ability to pay. This, in my opinion, is both right and just. I believe that those who receive richer rewards for their efforts than others, and those who receive a greater share of worldly goods than others, can rightly be called upon

to pay a greater proportion of the tax burden than others who are less fortunate. I have no quarrel with the policy that our tax system shall recognize ability to pay. This does not mean, however, that this principle should apply to every tax which is levied, but rather that the tax system as a whole should be so organized as to put a proportionately heavier burden on those most able to pay.

Nor should we attempt to invoke this policy to the extreme, or to the extent that it destroys incentive toward greater production and efficiency, or prevents adequate reward for leadership. The underlying motives of our economic system must be allowed to prevail. We know that the power to tax is the power to destroy. If we place tax burdens unwisely so as to eliminate the hope of incentives and rewards, we may gain high revenues quickly, but the future will find a lower national income to tax, a comparative dearth of high incomes, and a greater burden upon the small taxpayer.

### Taxing Purchasing Power

In emphasizing the importance of preserving incentives and rewards as the motivating forces of our economy I am not losing sight of the effects of taxation upon purchasing power. I recognize the dangers of reducing purchasing power through taxation. I believe it is necessary to weigh the effects of taxation at different levels and on different elements in our economy. If taxes stifle expansion which would create jobs or provide more product, might it not be better to suffer a temporary shrinkage in purchasing power and permit business expansion which will bring ultimate good of the whole economy?

Let us take the case of John Doe as an example. John has a little factory that makes household utensils. One of his patented gadgets is very popular. If John would modernize his plant by putting in some automatic ma-

chinery, he could cut his price, increase his sales, and make more money. But John hesitates to do this. Why? Well, John is now out of debt and has some savings. If he buys modern machinery, he will have to go in debt again. He says it took so long to save a little after paying high taxes, that he doesn't want to risk his savings and his credit for the small additional income that he can net after paying Uncle Sam. As a result, there will be no order for new machinery, no reduction in the price of his gadget, and no additional jobs for men to build the machines or to operate them.

If John Doe has no incentive to expand his business, neither will thousands of others like him, and the entire economy suffers from the lack of normal business expansion.

I believe that it is of prime importance for businessmen and industrialists to concern themselves with the important subject of maintaining purchasing power at a high level. We need to display and encourage a high type of business statesmanship directed toward raising the living standards of the average person and particularly those whose standards are now below average. It is our duty to stimulate and encourage vigorously the ideas and resources of business so that we will have better products at lower prices. Through improved management and enlightened leadership, the American businessman can make his contribution to the progress of our people toward higher standards and better living.

### Sources of Tax Revenue

We may classify taxes roughly into three main groups: first, income taxes upon individuals; second, income taxes upon corporations; and third, excises, customs, estate and gift taxes, and miscellaneous receipts.

The first and second groups—namely, individual and corporate income taxes—will vary in amount depending upon our national income. For example, if the gross national product should decline 18% from an assumed normal, the personal income tax yield may be

expected to decline 40%; and conversely, if the gross national product should increase 18%, personal income tax yields may be expected to increase 40%. The situation with respect to corporate income tax varies still more widely. If the gross national product should vary upward or downward 18%, corporate income taxes might be expected to vary 60%.

Any variation in industrial activity, as reflected in the national income, does not affect the yield of excise taxes as much as it affects the yield of income taxes. An 18% increase or decrease in gross national product would probably result in only a 10% change in excise tax yields. In other words, excise taxes are a more stable source of revenue than are either personal or corporate income taxes. We might look upon excise taxes as our bread-and-butter taxes because of the dependability of their yield.

Any decrease in the national income means an even greater increase in the difficulty of raising the necessary revenue. That is why I keep emphasizing the need for full production.

### National Income

It can readily be seen that any attempt to be specific as to income tax rates for the future requires an assumption as to what the national income will be. We have the capacity to produce and to consume at a national income level of at least 165 billion dollars.

I am confident that with wise tax policies, with freedom from unnecessary governmental restrictions and expense, with intelligent business management, and with sound labor relations, we can attain this income. Accordingly, I have assumed a national income of 165 billion dollars in estimating the revenue yields.

### Distribution of Tax Burden

How are we going to distribute a Federal tax burden of 25 billion dollars among our people with a national income of 165 billion dollars? I have enumerated

(Continued on page 26)

## Taxes in the Years Ahead

(Continued from page 25)  
ated a few of the principles which I believe should guide us in drawing that pattern. However, principles themselves are not enough. A program should be specific. With a sum so huge we will do well to remember the old maxim that "We may shear the sheep many times, but we can skin him only once."

I believe that the 25 billion dollar budget should be raised in the following manner: from individual income taxes, approximately 9½ billion dollars; from corporate income taxes, about 7 billion dollars; and from excises, customs, estate and gift taxes, and miscellaneous receipts, in the neighborhood of 8½ billion dollars.

### Individual Income Taxes

How are we going to raise 9½ billion dollars from individual income taxpayers? First of all, it is important to keep the base broad so that a high proportion of the people will be taxpayers. If we were to attempt to raise personal exemptions from \$500 per exemption to \$600, the cost of that small increase would be 1.6 billion dollars. You can see the tremendous effect that only a slight change in the personal exemptions would have upon total revenue.

Furthermore, I question the use of personal exemptions as a measure in determining ability to pay. For instance, a taxpayer living in a rural community in southern California, growing most of the food for his table, having little or no expense for transportation to work, requiring little or no heat for his home, and wearing work clothing most of the time, is far more able to pay a tax on a \$2,000 income than is a clerk working in New York City and earning the same income but having to spend substantial amounts for food, clothing, shelter, and transportation.

In years past we have assumed that income reflected ability to pay. Before the war we had much higher personal exemptions and much lower rates, and the discrepancies were not so keenly felt. Now we are facing a period

where we cannot afford such high personal exemptions nor such low rates, and we must realize that "income" is not necessarily synonymous with "ability to pay." In other words, \$500 personal exemption applied to income as we define it in the law is inequitable as applied to persons living under different circumstances across the length and breadth of this country.

Accordingly, I believe that it would be more equitable to all taxpayers if we look upon personal exemptions not only as an attempt to recognize in part the cost of living, but also as an administrative necessity to eliminate taxes in amounts so small as not to justify the expense of collecting.

I think our individual tax rates upon the little fellow can be cut by approximately one-half. In other words, I would suggest a combined normal and surtax rate of 10% on the first \$2,000 of taxable income, and rates graduated upward so that at approximately the \$50,000 bracket the rate would be 50%. The highest bracket would carry a rate of 66%. Such a plan would offer an incentive for every taxpayer, large or small, to increase his income. In fact, a man would be in the ranks of top management before the government would take more than half of his "top dollar."

There is a difference between the first dollar and the last dollar you make during a year, as you know. The "bottom dollar" is worth considerably more to you than the "top dollar," because of the graduated surtax rates. The higher the income, the less the top dollar is worth to the taxpayer, and when much more than half of it goes to the government for taxes, the incentive to earn more is reduced, if not destroyed.

When any of us lose our desire to produce, the nation suffers proportionately, because production is reduced, and it is on production that national income depends.

There is another distinction between bottom dollars and top dollars in that those top dollars quite often have another job to do. The bottom dollars take care

of your living expenses, but the top dollars, if your living expenses are not too high, are your savings which you may invest. When you consider an investment, you of course consider the risk and the return. The return is subject to more top dollar taxes, and if there is not sufficient return remaining after the top dollar taxes are paid, you of course refuse to take the risk. In other words, your top dollars do not become venture capital unless there is a possibility of retaining a good share of the additional income which may result. An excessively high tax rate thus prevents investments in new businesses, acts as a curb on industrial expansion, and thus prevents increases in the national income.

When considering the tax load, we must not overlook the problems of small businesses—businesses which need to accumulate savings if they are to grow. Any business which is not incorporated, being owned by an individual or a partnership, is subject of course to individual income tax rates. If these small businesses are to plow back a part of their earnings and so accumulate capital for normal expansion, surtaxes must not be too high.

There are a few other items which I believe we should consider in our tax program for the future. Some recognition should be given to earned income as against income from other sources so as to stimulate the productivity of individual effort. I am not sure how this should be accomplished. I do not believe that the earned income credit which formerly was a part of the revenue law was adequate. We need something more than a token recognition of earned income.

Also there is the matter of deduction from income for contributions. Fortunately this country has many citizens who have sufficient vision, public interest, and financial means to contribute considerable sums to the advancement of science. We have made great progress in fundamental research, but the unknown still far surpasses the known, and it would be only fitting and proper to encourage those individuals who are inclined to contribute to scientific foundations an amount greater than the 15% of income now allowed as a deduction for charitable, educational, scientific, and similar institutions. Accordingly, I suggest that an additional 5% be allowed as a deduction in computing taxable income for contributions toward research work in the field of science. Some people may challenge this proposal on the ground that, after all, the taxpayer would be giving away the government's money, but I should like to make two observations. In the first place, taxpayers cannot well afford to pay out contributions in excess of the 15% limitation and also pay to the government a high rate of taxation upon the income used for such contributions. In the second place, I believe there is little question that scientific research, which we all concede is a necessity, can be far more effectively conducted by privately endowed foundations than by Federal Bureaus financed through taxation.

With regard to the tax which individuals pay on dividends received from corporations, I do not believe that it has been possible to determine how much of the income tax on corporations has been absorbed and reflected in lower dividends to stockholders and how much has been passed on to customers in the form of higher prices. Unless it can be clearly shown that shareholders actually absorb the corporate income tax as well as their individual tax upon dividends, I am not ready to concede that the individual should receive full credit for corporate taxes applicable to his dividends.

However, it is quite possible that a portion of corporate taxes is paid by shareholders, and I do not oppose recognition through some form of limited credit to the individual.

### Corporation Income Taxes

If corporate income taxes were abolished, as has been proposed by some economists, it would mean that income tax rates for individuals would be very much higher—so high as largely to destroy incentive for production of income.

However, we must guard against the corporate rate becoming so excessive that it will be detrimental to business efficiency or to the exercise of good business judgment. I believe that the present rate of 38% on corporate income too closely approximates this point, and accordingly I suggest a rate of 33½% for the long pull. Assuming approximately 21 billion dollars in corporate taxable income, this rate would yield 7 billion dollars. Such a tax upon corporations is admittedly heavy, and without fair treatment of the corporate form of business, may well be destructive. It is quite important, therefore, that we continue certain existing favorable provisions and eliminate other provisions which unduly penalize corporations having widely fluctuating earnings and those operating through subsidiary companies. Accordingly, I would suggest continuing and extending to five years the provisions for the carry-over of operating losses in order to enable the corporations with loss years to recoup their losses in profit years before being required to pay income taxes. Similarly, corporations operating through subsidiaries should be permitted to receive dividends from other corporations on a tax-free basis. The present penalty of 2% for consolidated returns should be removed.

### Miscellaneous Taxes and Receipts

It is estimated that excises, customs, estate and gift taxes, and miscellaneous receipts will produce 8½ billion dollars under an assumed national income of 165 billion.

As I have already pointed out, excises do not vary in yield so much as do income taxes as a result of changes in economic conditions. Therefore, in the interest of stability of revenue, it would seem not only desirable but necessary to continue excises somewhere near their present level. Minor readjustments within our excise program will doubtless be in order from time to time. I believe that relying upon this form of revenue for one-third of our revenue is wholesome and beneficial to our economy.

### Need for a Strong and Vigorous National Economy

Let me emphasize once again that this program presupposes a strong and vigorous national economy, with incentives to encourage increased productivity. Unless national production and national income can be maintained at a high level, the tax burden will be wellnigh intolerable.

### Bureau of Internal Revenue Entitled to Support

The revenue collecting problems in the future are going to be one of the major concerns of our government, and we as citizens and business leaders owe a duty of wholehearted support to the Bureau of Internal Revenue in its attempt towards uniform assessment and collection of taxes. Its problems are our problems. With our support I believe we can be assured that the Bureau will continue to do commendable work.

### Simplification of Tax Laws

Much has been said about the simplification of our tax laws; many complaints have been made about the complexity of the laws

and the difficulty of understanding them. Any possible clarification of verbiage or rearrangement of sections of the law of course should be made. However, I do not have high hopes of a simplified, easy-to-read tax system. High taxes must of necessity provide for exceptions in order to alleviate undue hardship, or they must provide for different treatments because of the peculiar circumstances of some taxpayers. The exceptions and qualifications are what make laws complicated. In other words, high tax rates and complex tax laws go hand in hand.

### Conclusion

In this great nation of ours, there is no shortage of intelligence or courage. We have proved our mettle many times in the past, and we will do so again. It is my opinion that we, as a nation and as individuals, have sufficient ability, and through the application on the part of all of us of intelligent hard work, we will use that ability towards attaining still greater heights.

In our journey through history we are approaching only a crossroad—not the end of progress—and it is our responsibility as businessmen and industrialists of this nation to offer leadership and guidance towards the greater possibilities that lie ahead.

## Results of Treasury Bill Offering

The Secretary of the Treasury announced on April 28 that the tenders for \$1,100,000,000 or thereabout of 91-day Treasury bills to be dated May 1 and to mature July 31, which were offered on April 25 were opened at the Federal Reserve banks on April 28.

Total applied for \$1,960,002,000.  
Total accepted \$1,100,016,000 (includes \$20,380,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.095+; equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(55% of the amount bid for at the low price was accepted.)

There was a maturity of similar issue of bills on April 24 in the amount of \$1,311,650,000.

## Payment by U. S. for Swiss War Damages

The United States has paid \$4,070,183 to Swiss citizens on wartime bomb damage claims, but the final total bill may run to \$10,000,000 said Associated Press advices from Washington, April 21, appearing in the New York "Herald Tribune" which further reported:

The State Department reminded Congress of this obligation today, recommending passage of a law to permit final settlements for damage accidentally done by American flyers to Swiss property.

The first acknowledged damage, the State Department said in a statement filed with the House Clerk, occurred in April, 1944, when United States planes bombed the Rhine River town of Schaffhausen by mistake. An attack on the town of Samaden was acknowledged soon after.

The United States already has paid \$4,013,668 in damages for the Schaffhausen raid in which thirty-seven persons were killed and about fifty injured. The other \$56,515 paid so far went for claims arising from the Samaden incident.

## The Cudahy Packing Company

### Invitation for Bids

for

**\$15,000,000**

**First Mortgage Sinking Fund Bonds, Series C, . . %**

**Due May 1, 1967**

The Cudahy Packing Company, a Maine corporation (herein called the "Company"), hereby invites bids for the purchase of \$15,000,000 principal amount of its First Mortgage Sinking Fund Bonds, Series C, . . %, due May 1, 1967. Bids will be received by the Company at its office, 221 North La Salle Street, Chicago 1, Illinois, up to 11:00 A.M., Chicago Daylight Saving Time, May 5, 1947 (or such later time on the same or a later date as may be fixed by the Company, as provided in the Statement of Terms and Conditions Relating to Bids). Copies of the Prospectus relating to said Bonds, of the Statement of Terms and Conditions Relating to Bids (in which the Purchase Contract provisions are contained, and to which the Form of Bid is attached) and of other relevant documents referred to in the Statement of Terms and Conditions Relating to Bids may be examined, and copies of certain of such documents may be obtained, at said office of the Company. Bids will be considered only from bidders who have received copies of the Prospectus, and the Company will not be required to consider any bid unless made upon the Form of Bid and otherwise in accordance with the Statement of Terms and Conditions Relating to Bids (to which this invitation is subject in all respects), including the filing of questionnaires at or before the time required by the Statement of Terms and Conditions Relating to Bids.

**THE CUDAHY PACKING COMPANY**

By **F. W. HOFFMAN**  
President

April 24, 1947.



Also . . .

# a REPORT to YOU

... the Public

WE HAVE JUST MADE our Annual Report to our 300,000 stockholder-owners. The highlights of the 1946 operations we believe will be of interest to our employees and customers—present and prospective, who make the operations possible.

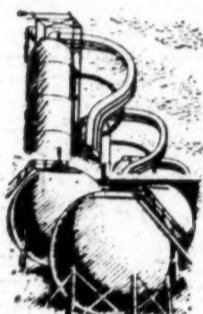
## Cities Service Companies in 1946 . . .



produced 26,318,000 barrels of crude oil and completed 173 new oil wells. At the year end, they held leases on 4,000,000 acres of oil and gas lands in the United States alone, of which 180,000 acres are now producing.



sold 276,000,000 cubic feet of natural gas, 4.5 per cent higher than the previous peak year of 1945, and served 554,902 domestic and industrial customers.



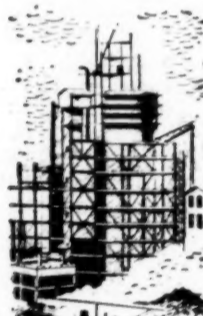
refined 57,613,000 barrels of crude, produced 27,974,000 barrels of gasoline, an increase of 865,000 over 1945. Production of butadiene for synthetic rubber also was up, and asphalt output increased 44 per cent.



distributed 2,277,814,000 kilowatt hours of electricity. Electric sales increased in all classes except power, which declined because of shutdowns in power consuming industries.



transported 159,000,000 barrels of crude oil by pipeline, an increase of 10 per cent, and 7,844,000 barrels of crude and finished products by tanker. Five new ships were added to the Cities Service fleet, and four old ones retired.



expended \$33,000,000 for new construction and acquisitions, bringing the total for 16 years of depression, war and reconversion to \$459,000,000.



marketed 2,500,000,000 gallons of petroleum products, more than half of it gasoline, also 148,000,000 gallons of natural gasoline and various liquid hydrocarbons and 3,000,000 gallons of finished chemicals. Cities Service aviation products are used by 4 airlines and by 37 airports in 11 states.



brought reduction of consolidated funded debt, notes payable and preferred stocks outstanding in the hands of the public to a 16-year total of \$211,600,000.

BECAUSE OF THESE OPERATIONS, the Company is able to report that despite many interruptions caused by strikes and shortages in other industries, its net income on a consolidated basis was \$27,253,000 in 1946 as against \$15,060,544 in 1945; net current assets up from \$149,528,000 to \$175,563,000 and cash and government securities increased from \$144,208,000 to \$175,614,000.

The management, employees and dealers recognize the source of their well-being—our



customers, who purchased a third of a billion dollars' worth of our products and services during the year 1946.

We appreciate this confidence and shall continue to carry on the policy of the founders—to be constantly on the alert to improve the quality of products, and to service their use so that the customer will obtain better and better values from them. The growing acceptance by the public of our 400 products attests the soundness of this policy.

## CITIES SERVICE COMPANY

W. ALTON JONES, President

## Abundant Farm Production with Surplus Food Allotments

(Continued from page 9)

measurable wants of the people in this country—what people really want to buy.

We can judge this from the actual buying habits of people who have comparatively good incomes. What would you call the lower limit of a reasonably good family income? Under 1941 prices, would \$2,000 per family be too much? That's less than \$40 a week per family. But back in 1941, the families that had incomes of that much or more were approximately the top 40%. At least, most of the families with prewar incomes of \$2,000 or more could afford a generally adequate diet. So let's assume their buying represents what the people of the United States want, and apply their buying habits to the whole population. This indicates that people want about 40 pounds more meat per capita than they were getting between 1937 and 1941; they want over 200 pounds apiece more milk, about 9 pounds more chicken, 23 or 24 pounds more fresh vegetables, around 17 pounds more processed vegetables, an additional 50 pounds of citrus fruit, and over 80 pounds more of other fruits. They apparently want a little less of beans and would continue the gradual, long-time trend toward lower per capita use of potatoes. I believe it is safe to assume that they would buy more products made from cotton, tobacco and wool, although we do not have the precise measure for these products that compare with those I have just given for food.

Now let's see what these wants mean in terms of farm acreages and types of farming—what kind of agricultural pattern we need.

Total up the wants of our own people, add in conservative amounts for exports, imports, and industrial uses, allow for good yields, and here's the picture: We would need more than 420 million acres for crops, orchards, rotation pasture and fallow land. That is almost exactly what our production goals call for this year. It's around ten million acres higher than the comparable figure for last year or for the 1937-41 average. It's the continuing acreage we would need if people of reasonable income could buy what they have shown they want.

Our estimate of needed acreage of course allows for average weather and a continuing trend toward more efficient production. The 420 million acres we would need to meet our own personal wants, plus peacetime exports and industrial uses, would be divided up quite a bit differently from prewar and even from last year's use of the land. Emphasis would be on livestock farming. This would mean more land in pasture and hay, less in small grains and potatoes and beans, not much change in feed grain acreage. There would be less land in soybeans than we had last year but more in truck crops, more in cotton, and more in orchards.

Forest products are crops too, and a third of our land is in forests. The Forest Service estimates that in an economy of full employment we will need to cut 65 to 72 billion board feet of saw timber per year. We are now growing it at only about half that rate.

Neither the field crop nor the forest crop acreage estimates that I have given you assume any greater exports than we have a right to expect in the short run. In fact, the export assumptions may be too conservative. A good international trade program over a period of years should remove unnecessary trade barriers and improve the outlook. The current estimates do not take into account any change in the export picture that might result from our decision to give material assistance to weak democracies.

Our calculations on crop needs

and acreages are supported in general by our actual experience. Judging what the whole population wants by the actual food buying habits of persons in the upper 40% of our prewar income groups, our people would like to be able to buy a third more food than they had on the average in the five prewar years 1935-39. Last year our food consumption level was already 16% above prewar. So, as a result of increased consumer income and increased farm production we have gone about half way toward supplying people's wants that were not being satisfied in the prewar years. We are doing it during a world food emergency which has necessitated great exports of grain and some other commodities.

We are getting some surprises as we go along. For example, as consumers earned more money and as dairymen stepped up milk production, people began drinking much more milk than ever before—from a fourth to a third more. They also showed they wanted more and more meat—I think even the livestock industry has been surprised at the size of the demand. In 1944 we ate about 23 pounds more meat per capita than in prewar years, and this year we may make the difference 25 to 30 pounds—at least a fifth more than prewar. As for eggs, many people assumed that wartime production was far beyond any conceivable peacetime demand. When we compared our per capita consumption of 392 eggs in 1945 with the prewar average of 298, much of the difference was ascribed to the meat shortage. But last year, we ate about 380 eggs per capita, even though we had 15% more meat than before the war. And although estimates at the beginning of this year indicated a drop to 360, we ate eggs at a record rate in the first quarter of the year. We ate more than 100 eggs apiece, on the average, during that quarter.

When people who haven't had the food they wanted get better incomes, they buy more food and they also buy the more expensive foods.

What we are witnessing today is a demonstration not only of agriculture's ability to meet the people's wants but also of the economic importance of doing so. No one who studies our economy today can doubt that agriculture is not merely benefiting from national prosperity but is greatly contributing to this prosperity. This is a case study in the interdependence of our various economic groups.

What our studies and experience boil down to is one simple fact: By supplying only the reasonable needs of our own people and reasonably expected export and industrial markets, we can not only market as much agricultural production as we have now but can actually expand. We can do it profitably and with progressive improvement of our natural resources.

If that isn't a practical objective toward which we ought to build our programs, I'd like to be shown something more business-like. Neither farmers nor city people can afford to accept a less practical course.

Not only is the practical course clear—I believe there is no other. Let me tell you why I believe that.

There are three reasons. The first is found in the wartime revolution in agricultural production—a revolution from which there is no turning back. The second is found in the requirements of our land and water resources. The third is found in the world situation. Let us take up these reasons briefly one by one.

The revolution in agriculture production is still progressing. I'm sure you know the story well—a one-third increase in production

for market—enough more food to give 50 million additional people a prewar diet every year—new records year after year in spite of a scarcity of production supplies and equipment and a 10% reduction in farm workers—a revolution accomplished by putting machinery and scientific knowledge to increased use. Discount the revolutionary change by giving weather all the credit possible, and you still have a revolutionary change. Nobody expects farmers to discard their machinery—they show unmistakable signs of doing the opposite. They are buying improved equipment and as much more of it as they can get. Nobody expects farmers to stop using the crops and practices that produce more per acre at less cost per unit. Nobody expects the research man and the engineer to reach the limit of new discoveries and new applications of knowledge. Far from seeing the limit of our productive efficiency, we are just beginning to see the possibilities.

### Wants No Limit on Production

In the face of this outlook, it evidently would be impossible to limit total production over a period of years without resorting to complete dictatorship or impoverishment of producers and the land. In the thirties, surplus control measures brought shifts in type of production, but total output stayed up. Acreage reduction brought increased yields. Less of one crop meant more of another. Only drought could substantially change total production. It seems to be a natural law of agriculture—at least of United States agriculture—that production persists and seeks new high levels. Our only choice is to create a pattern of production through which to use our resources wisely.

The second reason we have no practical alternative to a policy of organized plenty is that when we produce what our people really want we will emphasize livestock farming, which is an aid to soil conservation and future productivity.

Livestock production involving beef and dairy cattle and sheep is directly based on pasture. Hog production also makes heavy use of pasture. And pasture is the most conserving use of land. As you improve agricultural resources in a system of livestock farming, you not only increase productive capacity but also provide a good use for land that might otherwise grow surpluses. Let me give you a few figures that indicate the importance of that point. We know, for example, that it takes about seven times as much grain to supply a person a diet of livestock products as to supply him a grain diet. H. E. Babcock, the New York State agricultural authority, recently pointed out that the 40-ounce human stomach can use up the equivalent of 35 pounds of corn a day, just by enjoying three good meals. He stated that ten pounds of grain per person a day would require annual grain crops totaling between nine and ten billion bushels compared with our present production of about six billion.

Preliminary results of a current study in the Department of Agriculture show that of the cropland used to produce the civilian diet in the war years 1943 through 1945, about 80% was used in the production of livestock products; not more than 20% of the land that produced civilian food was devoted to crops for direct human consumption. The same study indicates that with present yields we would not have enough cropland to support our present population if all of us ate the same high-grade diet that our high-income families eat. Our cropland with present yields will support about 190 million people on a low-cost diet or an average diet, depending on the amount of imports

assumed. But it would support only about 140 to 150 million people on a liberal diet. At average yields, it takes the product of only about two acres a person to produce the food for a low-income diet, while it takes three acres or more per person to supply the food for a liberal diet. It takes no imagination to see the possibility of eliminating the old problem of surpluses if we have the means to eat what we really want.

Livestock farming is in itself a good farm program.

But you can apply the same general idea to our forest crops. We need more forest products, and at the same time, for conservation reasons, we need to improve the management of present forested areas and devote more of our poorer cropland to its best use—forestry. If we give enough attention to our forests to protect the watersheds of our streams, to protect ourselves against future shortages of forest products and depletion of forest range land, to prevent the impoverishment of people who depend on the forests—and we must do these things if we are to exist for long as a people—then by these very actions we create abundance.

Of course, all this can't be worked out immediately or with automatic precision. For example, to produce what people want, after the world food emergency subsides, we would have to use about 300 million acres for intertilled and close-growing crops. Of that amount about 180 million acres was subject to some erosion damage, according to estimates of land use for 1946. Only about 120 million acres could be used without some damage, pending the adoption of considerably better management systems and practices. Gradually, however, under a pattern of production emphasizing soil-conserving practices and livestock enterprises, we could produce in abundance and bring the soil budget into balance. Eventually, by adapting our land to its best use and protecting it properly, we can have close to 450 million acres suitable for continuous use as cropland.

In testifying on the 1947 Department of Agriculture appropriation bill before the Agricultural Sub-committee of the House appropriations Committee, I reported at some length on the state of the nation's agriculture, including our soil resources. Inasmuch as that testimony is or will be available to you, I will not repeat it here.

### Our Agricultural Resources

However, I would like to give you a few summarizing facts about our agricultural resources.

We have farther to go now than before the war toward establishing a permanent agriculture. In the Corn Belt alone, farmers altered their regular rotations to increase the annual acreage of tilled crops such as corn and soybeans by 11 million acres—mostly at the expense of good sod and pasture. Wheat growers, mainly in the Great Plains, increased their crop acreage from 62 million to nearly 72 million—mostly at the expense of grass and fallow.

Parts of the range have suffered under increased numbers of cattle and greater crop acreages.

For the country as a whole, it is estimated that at least half the acreage needed this year for intertilled and close-growing crops is subject to erosion.

Although during the war farmers increased their use of lime and phosphate and their use of various practices such as contour farming, strip cropping, and turning under green manure, the soil requirements still call for double, five times and even greater increases in use of these materials and practices.

In our forests, we have speeded up the rate of cutting until the drain exceeds the rate of growth

by about 50%. About 16% of our commercial forest land has been denuded, and only 10% of what remains is old-growth saw timber. Both volume and quality are going down. And we continue to waste large amounts through unsound cutting practices and preventable losses by fire, insects, and disease.

War undoubtedly took a toll of our resources. But even in peacetime we have never used, nor are we now using, systems of soil and forest management that will sustain permanent, high-level productivity in this nation.

This is plain, long-drawn-out suicide. We have to change our course. But if we do choose to build and conserve our resources—as we must in order to survive—then we have no alternative but to accept abundance and learn to live with it.

We are in a strange fix, aren't we?

It must sound paradoxical to countries poor in resources that we must search for ways to use our abundance in order to provide abundance for the future. And yet that is our true situation. Our experience has shown us that the shortest road to national destruction—the quickest way to become a have-not nation—is the route we follow when consumption goes down, surpluses pile up, and producers must neglect and drain the natural resources in order to live. It is not through using our agricultural resources that we impoverish ourselves but through misusing them. I doubt that any other nation has ever had such an opportunity as we have today—to use resources without misusing them, and by producing an adequate supply of what the people want to assure plentiful resources for the future.

My third reason for believing we have no alternative to a policy of realistic abundance is the nature of the atomic age. The world and our place in it have changed. No longer is peace merely an objective. It is necessity itself—the only hope of civilized human survival. The world looks to us for leadership. You can see this in many ways, including the world-wide interest in decisions made by this Congress and even in world concern over statements by some of our individual citizens. We can lead toward a democratic world of abundance, or we can lead toward a regimented world of scarcity. In only one of these directions lies the hope of peace and freedom.

I have gone into some detail to show why I believe that a policy of abundance is immensely practical and that no practical alternative exists. In doing so, I have given some indications of the third point I originally said I would cover—the matter of programs that are needed.

Obviously, a well-rounded farm program will be essential to set up and maintain the required agricultural pattern. The policy I am proposing is one that is vastly difficult to put into effect. No country has ever done it. I think no country has ever seriously attempted it as national policy; perhaps that is why it has never been achieved. Even to point out the facts is to run the risk of being misunderstood. I want to say to you now that I have surveyed the picture from the standpoint of my whole experience.

As a former relief administrator, I want never again to see the misery we had in the great depression. As a former Congressman and as Secretary of Agriculture, I see the importance of the policy of plenty to the general welfare. As a business man and farm operator, I see the plain facts of supply and demand. People want more of what the farmers can produce—there we have the

(Continued on page 33)

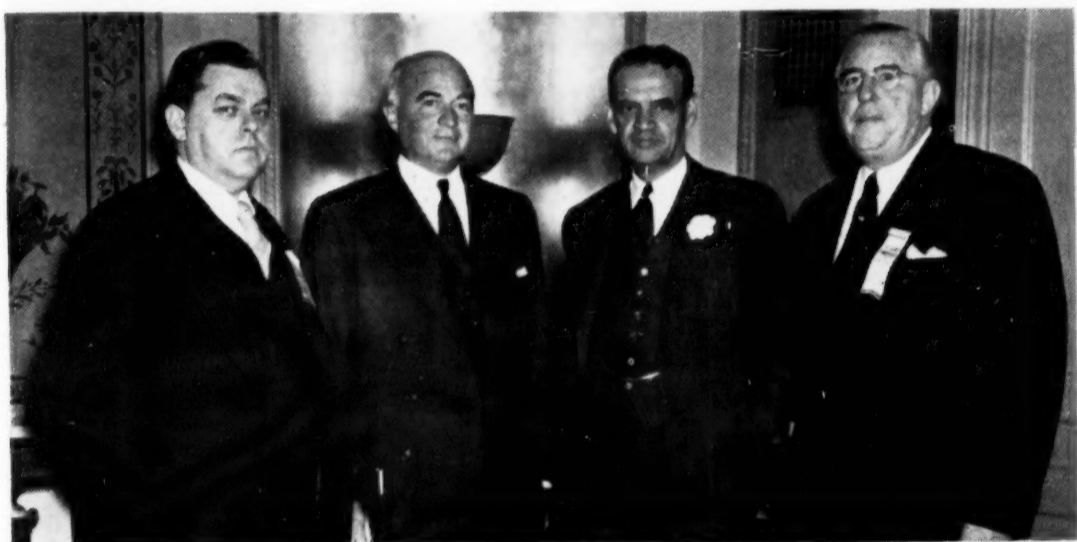
## Security Traders Association of New York



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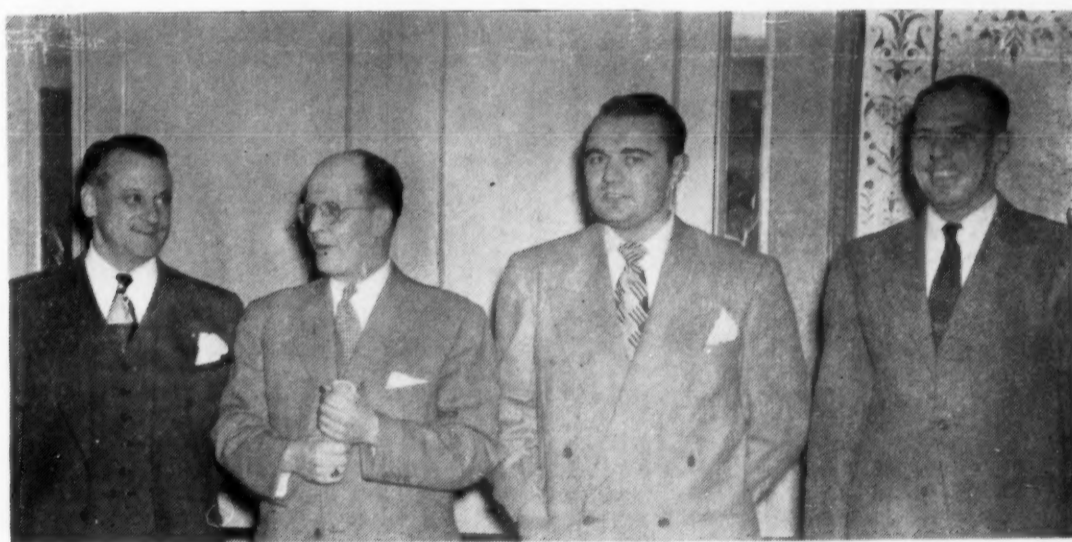
John F. McLaughlin, *McLaughlin, Reuss & Co.*; Commissioner Edmund Hanrahan, *Securities & Exchange Commission*, Philadelphia; Congressman Ellsworth B. Buck; Larry Doyle, *Hardy & Co.*



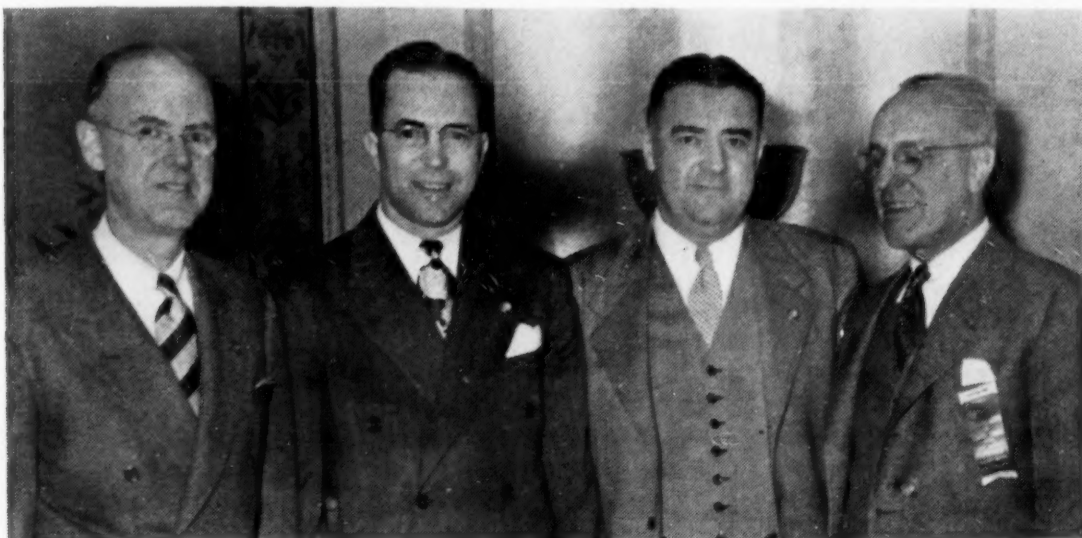
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Stephen McKeon, *Chas. W. Scranton & Co.*, New Haven; Max Furman, *New York State Dept. of Law*; Chet de Willers, *C. E. de Willers & Co.*

## Holds Eleventh Annual Dinner



Frank Pavis, Chas. E. Quincey & Co.; Mike Heaney, Joseph McMann & Co.; Leslie Barbier, G. A. Saxton & Co.



J. A. D. Falkner, Wood, Gundy & Co., Montreal; George V. Leone, Frank C. Masterson & Co.; John O'Neill, Stein Bros. & Boyce, Baltimore.



Lou Walker, National Quotation Bureau; Tom Moore, H. Hentz & Co.; Edward H. Cashion, Chief Counsel, Securities & Exchange Commission.



Francis A. Truslow, President of New York Curb Exchange; James J. Caffrey, Securities & Exchange Commission; Ed. Parsons, Wm. J. Mericka & Co., Cleveland.



T. Geoffrey Horsfield, Wm. J. Mericka & Co.; Herbert Blizzard, Hess, Blizzard & Co., Philadelphia.



Thomas Evans, Lee Higginson Corp.; Jan Hunt, White, Weld & Co.; Pete DuBois, Wertheim & Co.



Richard Goodman, Cohn & Torrey; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; Andrew Tackus, Putnam & Co., Hartford.



John French, A. C. Allyn & Co.; Joseph Nye, Freeman & Co.; John Kassebaum, Van Alstyne, Noel & Co.



Sidney A. Siegel, Siegel & Co.; Julius D. Brown, Hirsch & Co.; Larry Sills, Hirsch & Co.; Hank Serlen, Josephthal & Co.

## April 25, 1947 at Waldorf-Astoria



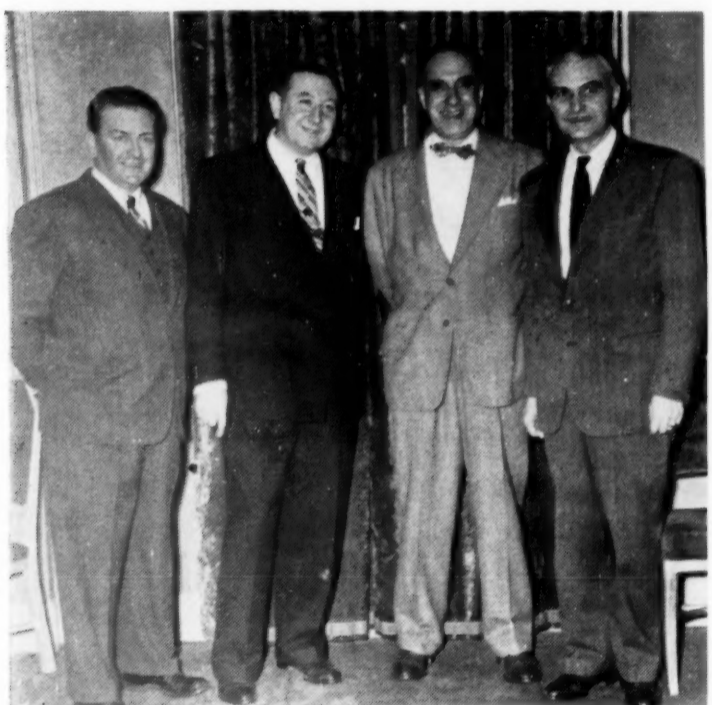
Irv Stein, Goulet & Stein; Otto Delfs, J. Arthur Warner & Co.; Stanley Witkowski, John Witkowski & Co.; William F. Goulet, Goulet & Stein.



Philip J. Bryne, Thomas G. Campbell & Co.; Murray Barysh, Ernst & Co.; Robert Fillmore, Rutter & Co.; Max Barysh, Ernst & Co.



Ben Grody, Herzog & Co.; Lloyd E. Lubetkin, Seligman, Lubetkin & Co.; R. J. Kelly, Bonner & Gregory.



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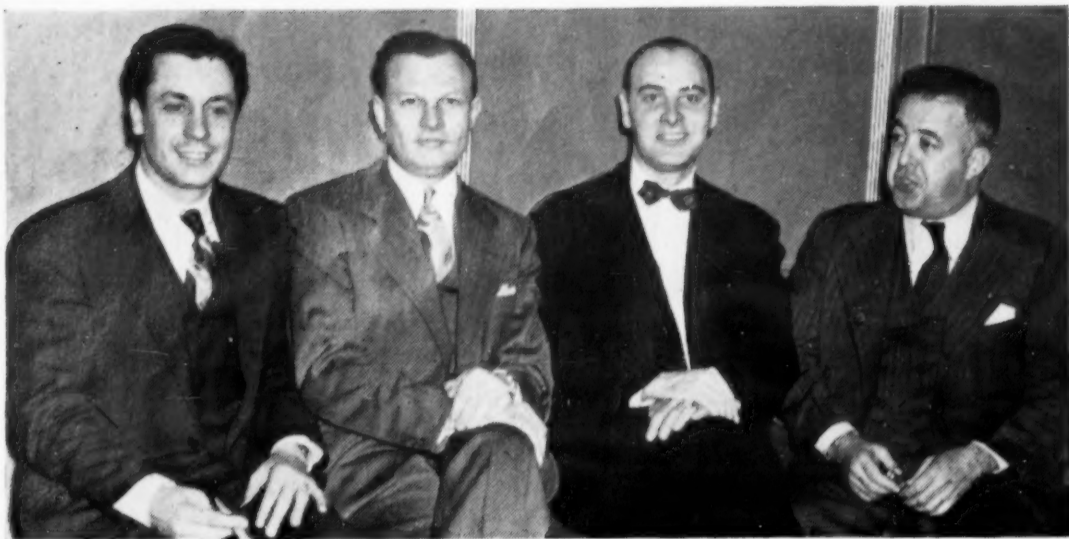


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## Abundant Farm Production with Surplus Food Allotments

(Continued from page 28)

making of a great market. The farmers as a result of increasing productive power must have that market. There's nothing visionary about a policy aimed at getting the product and the market together. It's just good business for all of us.

This idea is not new. But there is something new about it: We now have facts and ability to back up what used to be a dream. We have opportunity, for our agriculture is healthier and more productive in every way than ever before. And demand for food is very high in relation to the past. If we start now, we don't have to fight our way out of the hole in order to get the chance to try. Furthermore, we are faced with urgent necessity.

Now is the time to train our sights on the target of organized, sustained, and realistic abundance.

Programs can be built around that objective and the people will support them gladly because they know in their hearts that the aims are right, that the policy makes good sense.

I shall only outline my views on the programs we need because it is my understanding that you expect me to testify on them in detail at a later date. Also, the Policy and Program Committee of the Department, which has worked out the forward-looking pattern of agriculture I have been discussing with you, has assigned subcommittees to study the program requirements for the proposed policy. I shall be glad to summarize the results of these studies for you when they are further along, and of course the details will be available to you also.

However, we don't have to await the outcome of studies to see the broad requirements.

### Gearing Agriculture to the Economy

First of all, we need to keep our agriculture geared to developments in other segments of the economy to the end that a high level of income and employment is maintained. Agriculture can help maintain those conditions—it supplies a large share of both the raw materials and the market for industry. Our agricultural policy is necessarily related to the policy expressed in the Employment Act of 1946, which states that it is the continuing policy and responsibility of the Federal Government to promote maximum employment, production, and purchasing power.

Second, we shall need programs to help maintain stability of prices at levels fair to both producers and consumers. Anything less leads to waste and to general economic conditions which penalize abundance. We know from experience that the business cycle has its ups and downs, even in periods of general prosperity, and that farm prices are very sensitive to them.

We need to develop a long-range system of commodity price floors to protect producers against excessive or abnormal declines during the market season and to generally cushion declines in farm prices and incomes in the event of business recessions. We should make sure, however, that we do not establish a rigid system of price relationships. We will do well to heed the warning of the House Special Committee on Post-war Economic Policy and Planning. It spoke of the danger of pricing our commodities out of the markets; it said the needed long-run adjustments in agriculture are "not necessarily accomplished by present price support programs together with systems of production quotas"; it spoke of the need to meet producers' prob-

lems by expanding both markets and production. Prices are and should be an effective means of encouraging changes in production as the conditions of production and demand change. To this end, the parity formula should be modernized. We should emphasize studies and programs to reduce costs of production. This is one way to make abundant production profitable to farmers. However, if farmers are to go on cutting costs and increasing production they must be assured of an adequate market; they must have assurance that prices of industrial goods will not be held up through monopolistic practices; and the people who are no longer needed in farming must be assured of adequate employment opportunities in the non-farm field.

The third broad program requirement is an over-all land program to make sure we conserve and improve our agricultural resources. Therein lies the hope for sustained and increasing abundance. I have already said a good deal about this. Let me add only this: We are still a long way from a permanent soil-conserving agriculture; our goals this year call for the use of about 420 million acres of cropland; and perhaps as much as half of it will be subject to erosion damage at some time during the year.

### Improving Rural Areas

The fourth group of programs we need has to do with the welfare and rights of farm people. A policy of realistic abundance cannot be effective unless farm people have a chance to enjoy the fruits of the policy. Good prices and income are the basis for improvement, but experience indicates that something more is needed.

Public services and facilities are slow getting to rural areas where population is more scattered than in cities.

Farm families have a greater proportion of young people and the aged than do city families. This means they have greater need for medical services. But they have far fewer doctors, fewer nurses, fewer hospitals, and fewer clinics than do cities in relation to population. They do not have parity in educational facilities either. Rural teachers are more poorly paid; rural schools are generally less well provided with buildings, equipment and faculty.

By accepted standards, two-thirds of the farm families are ill-housed. They lack parity in telephone, radio and electric service, in roads and fire protection. They pay, directly and indirectly, for social security benefits which are denied them.

Although for many years farm employment has been going down as production-per-worker increased, the farms have had to absorb unemployed industrial workers in times of depression. And many who leave the farm to find opportunity have to go to big industrial centers because there are not enough small industries in rural areas. This is an important fact because, as a national average, only three out of every five young men on farms will have the opportunity to remain there. Young men are coming along at a faster rate than older men die or retire. Rural industries are needed not only to provide jobs—both full-time and part-time—but also to provide new opportunities for local capital, new or better local services, and more profitable outlets for locally-grown farm products.

We are confronted with serious tenure problems too. Some farming areas are overcrowded; some

farms are too small or too poor to support a family; a few farms are too large for good management. About half a million share croppers and half a million migratory farm laborers represent one of the most serious social problems in the nation, for they are among the most poorly housed, clothed and fed of all our citizens. We see land abuse and exploitation that results from insecure tenure, from antiquated leasing customs and laws.

The people on farms are the nation's greatest agricultural resource, and it is to the nation's interest to see to it that the right of equal opportunity is restored.

### Applying Scientific Knowledge

My fifth class of needed programs includes the gathering and application of scientific knowledge. This deserves special mention even though such programs clearly must underlie all of our efforts. We need intensified research in the biological sciences; we need research and service programs in marketing and distribution, in production technology, and in efforts to expand industrial uses of farm products. We need research in economics; we need statistics and statistical studies; we need extension programs to spread and demonstrate the new information. In short, we need to learn and apply more and more knowledge if we are to continue our advance in production, distribution, human nutrition, and conservation of our resources.

Getting to work under the Research and Marketing Act of 1946 is of prime importance. Every effort should be made to keep the free enterprise distribution system clear of bottlenecks, capable of carrying the entire flow of farm production. That is in keeping with our traditions and ideals of trade. But the people who market, process, transport, and sell farm products do not control the whole economic system, any more than farmers do. Bottlenecks do develop, farm production fluctuates, consumer buying power changes from time to time. The results are waste of products and human want.

### A Floor Under Consumption

So we need a sixth type of program. We need a floor under consumption of farm products. We must make sure that none of us go hungry and that no production is wasted. The school lunch program is a good start in this direction. But something more is needed to counteract the peaks in supply and valleys in demand, to absorb products that are temporarily too abundant, and to see to it that everybody has a chance at an adequate diet. We need to have a surplus distribution program or perhaps some sort of food allotment program available at all times—something flexible enough to meet both chronic and acute difficulties.

Related to this type of program is the need for action on the farm front to stabilize supplies from year to year and to meet changes in demand. By the very nature of agriculture it is impossible to hit production goals exactly, and of course it is impossible to predict demand exactly. There have to be guideposts such as the production goals now in use to indicate specific needs for production. These help farmers to cut in concert to shift the pattern of production. In case of more difficult problems of shifting production, acreage allotments and marketing quota programs should be available. And there have to be cushions to absorb the year-to-year variations in yield and demand—blotters to absorb little surpluses before they spread out and become unmanageable.

These programs—my seventh

group—include the ever-normal granary storage loans and marketing agreements which foster orderly marketing. These programs are important for price and income protection as well as for stabilization of supplies.

### Special Marketing Programs

Special marketing programs in which food trades cooperate to move seasonal surpluses are also helpful as cushions for fluctuating supplies.

We can get a further cushioning effect through international trade arrangements which provide for storage stocks and sales of excess supplies to needy countries at special prices.

International trade and cooperation are essential for other reasons too.

Our country is a member of the Food and Agriculture Organization of the United Nations. We thus share its objective of world freedom from hunger. We are a member of the International Emergency Food Council, which temporarily allocates through mutual consent of its members, world supplies of scarce commodities. We participate in the work of the World Bank and the Monetary Fund, and other United Nations activities. All of this work in the international field has important aspects for United States agriculture and should be regarded as part of our farm program line-up. Let me say a special word about our need for foreign trade.

It seems inevitable that we will continue to need regular and sizable foreign markets for cotton, wheat, tobacco, lard, rice, and certain fruits and vegetables. Potential foreign customers will continue to have difficulty maintaining dollar exchange with which to buy both agricultural and industrial products. In order to sell, we need to provide for increased imports without injuring established domestic enterprise. We need the benefits of an international organization to reduce trade barriers and to provide a world clearing house for commodity agreements which preserve the principle of international economic collaboration without running contrary to domestic policy. Our domestic farm price policy precludes the removal of all trade barriers, but it should be possible through agreements to limit the use of trade barriers, to divide markets among competing countries without cutthroat competition, and to provide for the handling of excess supplies.

As I indicated earlier, we should have little difficulty in exporting as much as necessary when our own people are able to get as much as they want and need from U. S. farms. However, U. S. farmers have an interest in exports of industrial products because these make jobs for workers who use what the farmers produce.

Coming back to domestic affairs, there are still some essential farm programs that I have not mentioned directly. We might label this group "farm business aids and safeguards."

We have to make sure that farm and forest operators and their co-operators have ample credit, on suitable terms, to finance farm ownership, production and marketing of commodities, forest growth and development, soil conservation, shifts in land use, major changes in types and methods of farming, and farm housing.

We should continue to encourage sound development and use of cooperatives by farmers.

Electric power helps to make farming easier and more profitable and farm living more satisfactory, and its extension to new areas is a great stimulant to business.

Only half the farm population now has the benefits of this power, and the REA self-liquidating loans to cooperatives are in great demand.

Farm families and the communities they live in need the protection of sound crop insurance. From the standpoint of the general welfare, crop insurance has great value in stabilizing the purchasing power and tax-paying ability of the farmer. And it reduces the need for emergency loan and relief programs.

All of the programs I have mentioned—and perhaps more besides—should be available for use at all times. A farm program should be something like a typewriter; it's most useful when it has all the keys on it. Some of the keys get very little use, but they've got to be there when you need them. We should have a farm program that would effectuate our policy in times when the free play of economic forces gives us prosperity and also when the business cycle turns downward.

### Cost of Program

The cost of such a farm program would vary according to the load placed upon it.

Needless to say, it would cost a great deal if we hit periods of low activity in industry. Over the long pull, industrial activity must at least match that of agriculture. But an agricultural program designed to maintain stable supplies and prices across the peaks and valleys of the business chart can do much to stabilize and stimulate industry.

In any event, we cannot afford the alternative to agricultural abundance.

The people always pay for abundance. In the depression when people could not buy anywhere near all the farmers had produced, the people of this country paid for the production controls that were necessary at that time. When real jobs didn't exist, the country paid for relief. When farm prices were unfairly low, the farmer paid the cost of subsidizing the consumer, and then at length the people began to foot the bill for parity payments to farmers—nearly \$200 million a year for six years—and for other commodity payments totaling \$3.8 billion. For programs to expand domestic consumption, the people have spent \$1.4 billion. They put out \$5 billion in commodity loans and only by reason of the war have they been able to get it all back. The people have paid for export subsidies—a total of nearly \$200 million. They have paid a little toward rebuilding and conserving neglected soil—payments for this purpose other than those I have mentioned as commodity payments total \$1.5 billion, not counting programs of technical assistance and demonstration.

Altogether, direct payments to farmers from 1933 through 1941 added more than one-eighth to farm operators' net income. In two years payments added nearly one-fifth to the net income farm operators otherwise had.

We the people have paid in money and in soil fertility.

We always pay for abundance. It's high time we started getting what we pay for. That is why I appeal to the Congress to adopt the goal of organized, sustained, and realistic abundance as our national agricultural policy. It is plain that the people want more and better food and more of other commodities than we have ever produced. It is just as plain that by continuing our advance toward a sound, permanent agriculture, we can supply what is needed for better living, expanding industry, and healthy world trade. Here is our opportunity to advance the cause of peace and prosperity for our own country and the world.

## The Case for Scientific Stock Market Analysis

(Continued from first page) many candles shed such a soft and pleasant light on our table. Observe the finely cut crystal prism from which a delicately shaped sphere is suspended. This prism receives the light from many candles. The light itself is white. Yet what color of the rainbow does this piece of crystal seem to reflect? "Blue, of course," exclaimed the Grand Duchess. Krylov put the same question to all those present. To each the light reflected in the lovely crystal appeared to be of a different color.

I often think of this little tale. When I attend an economic meeting, or glance through the pages of a publication such as the "Chronicle," with its gallery of distinguished faces and opinions, I am impressed by the great variety of judgments on the economic realities in which we live. This remark is not a reflection on the quality of the opinions expressed by admittedly competent and sincere observers. It illustrates rather, the inescapable difficulties of appraising phenomena

which are essentially highly complex.

The uncertainty of our judgment as to what is likely to happen, even in a relatively near future, in the country's economic life is raised to a still higher potential if we attempt to appraise the probable course of the market.

Under present conditions of low bond yields and of declining purchasing power of fixed incomes, few investors can afford to confine their holdings to securities whose price fluctuations can be disregarded with equanimity. Common Stocks, as a rule, constitute large segments of representative holdings. They are doomed to fluctuate in price swings of lesser or larger magnitude, and prolonged declines are at least disturbing to the peace of mind of the holders and sometimes may mean for them grave financial consequences.

Capital appreciation is the fondest hope of investment management, but preservation of capital worth is its starkest necessity and the acid test of investment

policy. Which are the tools that an investor has at his disposal to assist him in his quest?

### Two Approaches to Stock Price Appraisal

Two main avenues of approach are open for appraising the levels and trends of common stock prices. The foundation of the art of security analysis, the first tries to estimate the investment value of a stock. However, because prices in their fluctuations, often and for long periods stray far from values, this method has definite limitations. They are discussed in "New Tools for Stock Market Analysis," which also describes the materials with which stock values are built and outlines various valuation techniques. Probably the main shortcoming of the value approach as a guide to practical investment decisions is that value is essentially an average. To have any meaning, it must take into account good and bad times, profits and deficits. For this reason, a definite correlation exists between values and average prices. Actual prices, however,

are essentially dynamic. They follow, even magnify revivals and recessions, expansions and contractions, peaks and troughs of business cycles.

The second approach—economic analysis—also is an essential part of the research basic to formulating sound investment policies. It is especially rewarding in the middle phases of cyclical swings when stock prices and business conditions are most nearly in step. Even then, however, if attempts are made to forecast trends in stock prices from trends in other economic factors, the prognostic value of economic analysis may be doubted. For example, none of the economic factors studied in a Cowles Commission investigation was found to be an adequate forecasting series for the stock market.

Economic analysis yields least reliable results: once the upper reaches of the cycle are entered or the bottom of a cyclical decline is approached. Unfortunately for the chances of success in forecasting cyclical turns, stock prices themselves are among the factors most sensitive to cyclical influences.

### The Cycle Is the Key

If we confront historical tables of bull and bear markets, as they are given, for instance, in Barron's annual books on the Dow-Jones Averages, with similar tables published in scientific studies of business cycles, we shall observe in a great majority of cases a close correspondence in their respective dates.

It is conceivable that Dow theorists, or market analysts belonging to some other technical school, may label a sufficiently long or drastic movement of stock prices as a bull or bear market without it being followed by corresponding cyclical developments in the economy itself. Such will be the case, for instance, for the 1943 decline if no business recession develops in the near future. Yet it is a fact of outstanding importance that truly significant bull and bear markets are not unattached and haphazard fluctuations of stock prices, but are, on the contrary, deeply imbedded in the economic cycle itself.

### Advantage of the Market Analyst

Herein lies the advantage of the market analyst. To visualize the economic realities crowded into the two words "business cycle," remember that "business" covers a wide variety of activities, such as the growing, harvesting, and extraction of raw materials; the manufacturing, transporting, and distributing of all kinds of producer and consumer goods, the paying, spending, and saving of money incomes; the operations of commercial and investment banking. Between them they add up to many hundreds, or perhaps even thousands, of statistical curves.

This complexity of business cycles and their great variations in amplitude and duration give to each cycle a separate and distinct personality. It is true that conditions prevailing in each cyclical phase tend to generate the next phase, revealing the existence of internal causation within each cycle. But knowledge of this fact does not help us to determine in advance the particular chain of circumstances that will bring about a turning point in any individual cycle, nor does it always allow us to locate its causes even when the effects are already visible.

While the hundreds of factors which constitute a business cycle are still in motion, it is a difficult undertaking to determine by their simultaneous analysis a cyclical turning point. Only historical studies can be sure of their ground; but they are post mortems and have no great practical utility for current investment decisions. Besides, even if the turning points of business cycles, while they are still in the formative stage, could be timed

with any degree of assurance by the means of economic analysis, this would still be of relatively little assistance to the investors. Stock prices themselves, as mentioned before, are one of the most sensitive cyclical factors and their turning points usually precede by many months those of general business itself. At the time when even successful economic analysis could pronounce its verdict that business activity is facing a decline, investors in stocks would already have suffered, as a rule, such losses that, in most cases, it would be too late to take any protective action. Thus the indirect methods of analyzing the levels and trends of stock prices through a study of intrinsic values or of the trends of underlying economic conditions are so subject to limitations as to suggest the desirability of direct study.

### Advantages of Direct Approach

A direct approach to the analysis of the fluctuations of stock prices has several important advantages. It attacks the problem there where it is instead of arriving at it after much roundabout traveling. For, to begin with, the immediate purpose of the investor, the core of his problem is to protect his existing holdings by a timely sale before the decline and, in the case of new investments, to possess the greatest possible assurance that his purchase will not be followed by a shrinkage of values. His interest in business conditions as a buyer or holder of equities is only indirect; it exists only to the extent of the bearing that the course of business may have on equity prices.

The advantage derived from the very directness of this method of approach is further strengthened by the fact that it offers for study a much more limited field. The risk of getting lost in a maze of contradictory factors becomes immediately and greatly reduced, thereby making the conclusions more valid and reliable.

For this reason alone, the market analyst is more likely to succeed. While the student of the general business cycle has to deal with many hundreds of factors, all perplexingly different in their respective movements, the market analyst has his attention focussed on two factors only: stock prices and the activity in their transactions in the market. These two factors, moreover, are not extraneous to the general cycle, but are, on the contrary, among its most representative and essential components.

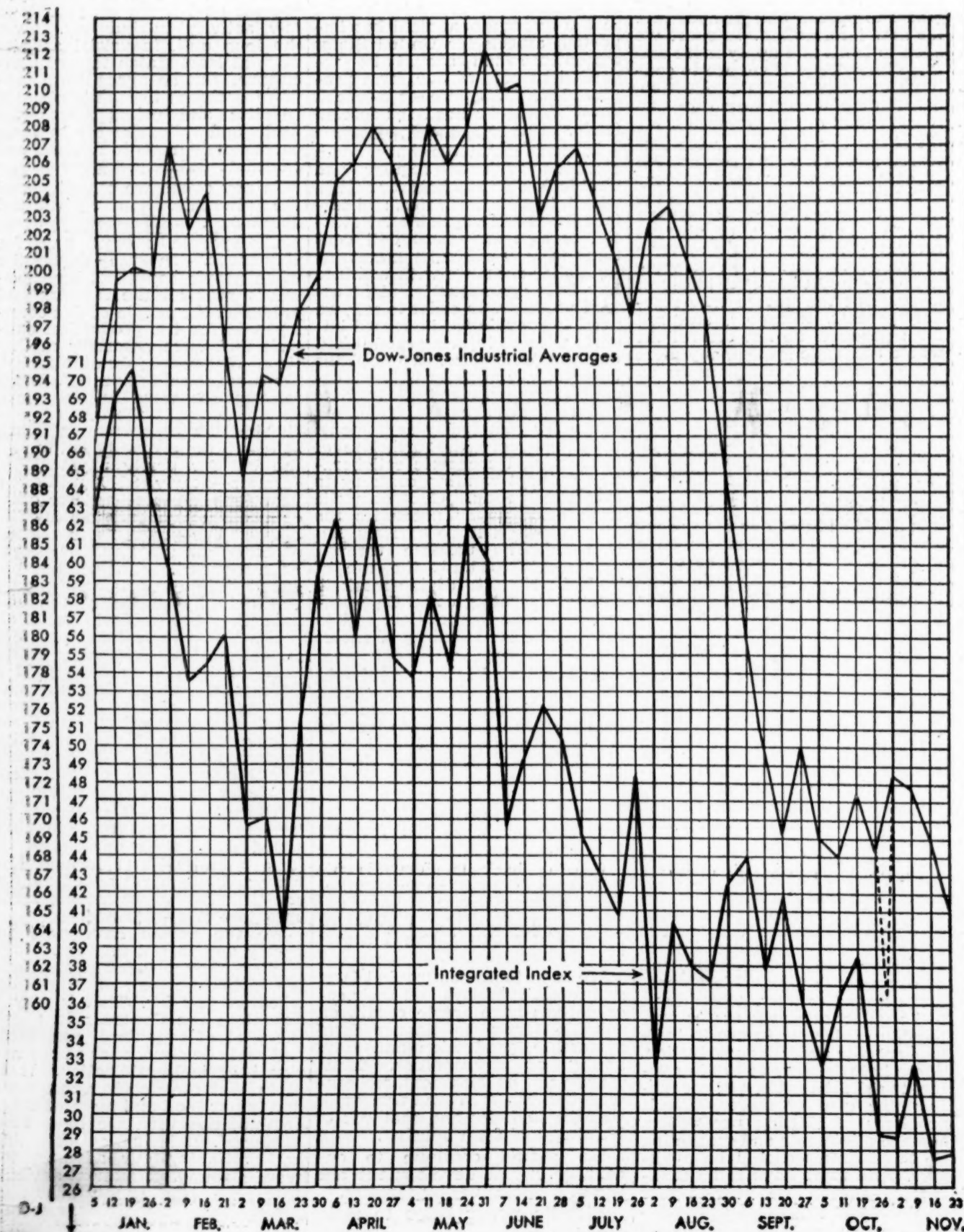
The analyst of the movements of stock prices should, therefore, have no undue humility about the nature of his work. Provided the results of his efforts are genuinely reliable, he not only renders a great service to the investor, but is also a specialist in a limited but vital field of cyclical studies.

The same statistical methods of analysis and measurement can be applied to a study of trends of stock prices as are used for any and all cyclical series. The use of some of these methods, such as the correlation technique, the coefficients of variation measuring the dispersion of stock prices, and some other measures, was shown in the "New Tools." It led to the conclusion that at the time when the market was approaching its 1946 highs it had reached a full statistical expression of cyclical maturity.

Once a working hypothesis of the probability of an impending cyclical reversal has been established, the market analyst, so forearmed, can concentrate his attention on locating the actual point of reversal. His task is simplified by the fact that the turning points of stock price trends and of the volume of trading have definite and clearly recognizable earmarks. They have been noted and described in scientific studies of general business cycles.

But in his more specialized

Chart 1



Weekly Movements of Integrated Index and  
Dow-Jones Industrial Averages, January-October 1946

work the market analyst can afford to dig still further into the characteristics of the only two factors with which he is concerned. Instead of treating them in their sums total, he can dissect them in order to discover internal structural relations within them thereby gaining more detailed insight into the phenomena he studies. This differential, as compared to global, analysis of his statistical series can throw much additional light on the impending changes in their trends.

This writer has little knowledge of so-called chart reading. His is a different approach which utilizes purely statistical methods of analysis. He believes that patterns of past behavior are not a reliable guide for the future, for they may not recur. Nor is, to his mind, the study of current trends especially helpful, for a trend, even if it can definitely be recognized, may well reverse itself in the near future. He believes that one cannot hope to secure worth while results without delving beneath the surface and by measuring undercurrents of price movements and shifts in the internal balance of the market. Such an approach can be valid, however, only if it is based upon relations that have themselves a foundation in the facts of economic life.

#### Principles of Differential Analysis

First, let us consider prices. While the movements of stock prices permeate the entire market, the analyst knows that different classes of stocks have widely different amplitudes of fluctuations, even though their changes in trend are as a rule simultaneous. The reason this differential behavior has occurred in the past and must necessarily recur in the future is to be found in the simple economic truth that, in periods of business improvement, marginal properties benefit relatively more than the well established.

Differences in market action characterize stocks belonging to different price groups, as well as those differing in intrinsic qualities, partly because low price and marginal position frequently coincide and partly because low price gives a stock the advantages of a cheap call on the hope of large percentage gains and also brings it within the reach of more buyers.

This principle has been tested and established by scientific statistical studies summarized in the "New Tools." It permits the construction of indexes revealing internal structural changes in the market which can forewarn of impending changes in price trends.

For instance, in a period of economic improvement, a marginal steel company stands a chance of tripling or quadrupling its gross profits or of doubling its share of the total steel business with corresponding effects on its net earnings; but not United States Steel. However, a point will be reached beyond which a small company cannot progress. In other words, the price of a marginal stock, when measured by the price of a quality stock, cannot advance beyond a certain limit without making a correction inevitable. The extent of the correction, when it comes, will depend upon how much the market has overvalued the marginal equities and upon the phase through which the business cycle happens to be passing at that particular moment.

The relative economic improvement of a marginal concern and the relative price rise of its stock cannot continue indefinitely. A bursting point is reached, as it was for the frog in the old fable when he tried to blow himself up to the size of a bull. Measuring low priced stocks not in dollars and cents but in terms of high priced stocks can help to determine the limit beyond which the

market is likely to reverse its trend.

#### A Statistical Measure

In order to translate these principles into concrete terms of statistical measurements, a special index was constructed by this writer and was conclusively tested over a long period. This index measures the relationship between the higher priced and higher quality stocks and the lower priced marginal equities. A large number of stocks is included in each of the two groups, both of them representing a wide cross section of the market. Each low priced stock has as close a counterpart among the high priced stocks as could be found, making the two groups as completely homogeneous and as fully comparable as possible. Various statistical precautions were taken to avoid any distortions that might arise.

This index is described in detail in "New Tools." Suffice it to say here that it has shown great analytical accuracy, both historically and in its current daily application to the difficult markets of 1946 and 1947. Thus, while after the break of February, 1946, the market resumed its advance, making several successive new highs in April and May, this index never exceeded its January high and began to decline in May at the identical point from which it started to recede in January. In this way it indicated clearly that the relative valuation of marginal stocks in terms of conservative issues could proceed no further. And again, in 1947, while the market was rising from its 1946 lows, this index never left the groove of its September-October 1946 range, refusing to confirm the soundness of this rise. Quite recently, it made a fresh bear market low on April 7, i.e., several days before the market penetrated downwards, on April 12, its so-called January-March defensive position, which, incidentally, according to some of the writer's other indexes, had never even existed.

#### Importance of the Volume Factor

The possibilities of differential analysis are not limited to price relations alone. Even more valuable information can be obtained from similar study of the activity of transactions. Not enough attention is usually paid by market analysts to the study of volumes. Yet they are the active force whose inflow or withdrawal shapes price curves. The volume of shares traded is the generator of the current of prices. It is also an important constituent factor of the general business cycle.

In "Measuring Business Cycles," Burns & Mitchell bring out that in the 15 cycles between 1878 and 1933, share trading led the downturns in 14 and the upturns in 11; it lagged behind general business only once at a cyclical peak and only twice at a trough. On the average, it turned up four or five months before business, and signaled the downturns approximately 10 months in advance. Shares traded have a very wide amplitude of cyclical fluctuation and, unlike most other economic factors, the upswing is more rapid and explosive than the downswing.

When the volume of trading is analyzed in greater detail, i.e., not for all shares listed, but separately by classes, further valuable information may be obtained. Volume analysis complements price analysis, revealing the presence of structural changes in the market that are not always reflected in price relations. It often discloses what investors and speculators respectively are doing. The quality of marginal pairs of bids and offers, i.e., the bids of the most optimistic buyers and the offers of the most pessimistic sellers, between which transactions take place and prices are fixed, is always in flux. At bot-

toms of declines bids, and at peaks of rises offers, emanate predominantly from investors buying from and selling to speculators. The height and velocity of the speculative wave of the moment determines how near the bids and offers of investors will come to the effective marginal pairs. This finds a reflection in the relative activity of transactions in the stocks in which each group predominantly trades.

In a recent address on "Right and Wrong Ideas About Stocks," reprinted in part in the "Chronicle" of Feb. 6, 1947, L. O. Hooper called attention to the increasing stability of corporate ownership. In the course of the last decade alone, the annual percentage of listed shares traded has declined from 36.5% to 20.5%. In 1928, it was 123%. In standard stocks, the annual turnover in ownership often is less than 10% of the outstanding shares. "In other words," says Mr. Hooper, "90% or more of the holders of standard stocks seem to regard themselves as more or less permanent owners with only an academic interest in day to day, month to month, and year to year fluctuations."

In speculative stocks, however, the turnover is considerably faster than in standard and more "seasoned" stocks. Changes in the relative volumes of transactions in these stocks are primarily responsible for the ebbs and flows of speculative movements.

If the stock exchange were strictly an investment market, its price fluctuations would present a much flatter curve. However, owing to the influence of speculation, stock prices are but shadows of future events as discounted by the traders. And, like all shadows, they enlarge or dwarf the pro-

jected object, depending upon the position of the economic sun. It is the activity of speculation attempting to exploit cyclical swings as well as temporary changes in sentiment which is the force behind the formations and reversals of market trends. And since its inflow or withdrawal is quickly reflected in the relative structure of volumes, differential volume analysis holds often the key to the forthcoming changes in market trends.

#### Price-Volume Interactions

When both prices and volumes are integrated into combined indexes they produce indicators that are sensitive in the extreme. Chart 1 serves as an illustration. It condenses the writer's daily Integrated Index and the Dow-Jones industrial averages into weekly figures and presents them in an easily read, schematic form. The dotted line for the last week of October extends the Dow-Jones averages to their actual intra-day low of Oct. 30.

It will be observed that the Integrated Index began to decline two weeks before the market itself reached its high early in 1943. It is interesting also that during the subsequent rise of the market to new tops in April and May, the Integrated Index did not regain its previous driving power, thereby revealing the internal weakness of the recovery in the spring of 1946. And during the two last weeks of May, when the Dow-Jones industrial averages were at their bull market top, the Integrated Index made a precipitous fall from 62 to below 46—a drop of 26%.

In studying the action of this Index, it should be borne in mind that numbers of shares traded, as

well as their prices, enter into its composition. For this reason, in periods when the volume of transactions rises coincidentally with a falling market, this is reflected by an "inverted" rise of the Index which has, needless to say, a bearish significance. Such was, for instance, the case during the two-week period of Aug. 23 to Sept. 6. And when the Index returns from an "inverted" rise to a "normal" decline, this action indicates that the rate of acceleration of the decline has passed its maximum point and that a climax is near.

#### Significance of Index in 1946-47 Rally

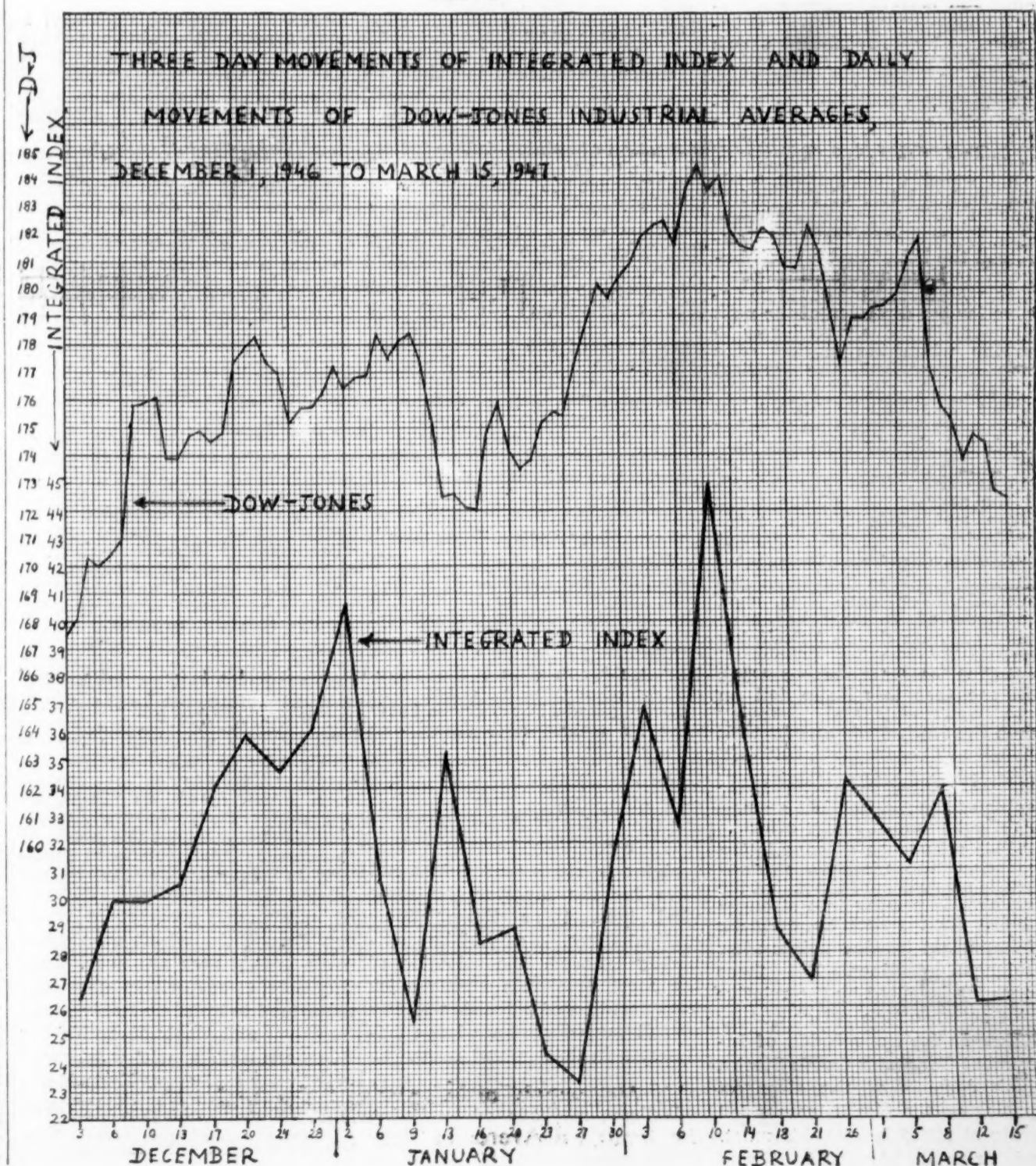
Similar indications were given by this Index during the rise of the market from the lows of 1946 to the February, 1947 high of the intermediate recovery movement. The basic working hypothesis that the reversal of the cyclical upswing had taken place already in 1946 prevented, once accepted, the ascribing of any long-term significance to this upswing. Therefore, the task of the observer was limited to catching its turning points. And the Integrated Index, by bringing out the deteriorations of the price-volume structure, gave clear signals of reversals of this short-term rise, as is shown on Chart 2. The remarks concerning "inverted" rises of the Index in a falling market naturally apply in this case quite as much as in connection with Chart 1.

#### No "Chart Reading" Implied

It should be again strongly emphasized here that the writer's approach implies no "reading of the charts." They are merely used by him as a convenience for

(Continued on page 36)

Chart 2



# The Case for Scientific Stock Market Analysis

(Continued from page 35)

the eye—as a graphic illustration of the statistical information they depict. No interpretation of chart patterns is ever attempted nor are any comparisons made with any chart formations of the past. In fact, in his practical daily work, this writer often dispenses with charts altogether, merely examining the statistical data themselves. And they, in turn, reflect the relations of the forces operating in the market. So, for instance, the Integrated Index expresses the balance between the price-volume factors of both the low-priced and the high-priced stocks.

The Integrated Index is only one of many statistical measures used by this writer. No absolute reliance is placed by him upon any single tool. Each contributes an essential element to the making of a complete picture. Correct understanding of the market means too much for the financial welfare of individuals and institutions to leave any useful instrument unexploited.

## Possibilities and Limitations of Market Analysis

Like all other approaches to investment problems, market analysis has, of course, its own limitations. It diagnoses internal relations in the market only at the time of the measurements. Under certain circumstances, sudden decisive events may upset them. But this is not often the case. News is seldom utterly unexpected. Usually, before it has been announced to the public, it infiltrates the market, causing structural changes. And statistical indicators, by revealing such changes, can serve as weather vanes for investors.

Perhaps the best way to illustrate both the possibilities and the limitations of this type of analysis, as applied in actual practice, would be by quoting from a recent market letter of this writer (April 1, 1947):

"Our last memorandum expressed the belief that a clash between buying and selling pressures, whose outcome could be decisive for the direction of the next intermediate move, was likely to develop when the market once more approached the critical levels of last Fall. The short but sharp rally which took place last week raises the question whether this is not already occurring at a higher level than was anticipated by this writer. This rally extended the anemic rise of the week before and made it look more convincing.

"However, price-volume relationships continue to remain unfavorable. For some time, now, the Ratio of Volumes has been rising only on days of declining markets. By referring to the usual statistical exhibits, our readers will see that this Ratio fell on both Wednesday and Thursday when the market advanced. This indicates that the brief recovery was not of an organic nature. It did not spring from the inner depths of the market, but seemed to reflect pump-priming efforts.

"This reluctance of speculation to follow the market's upward thrusts may mean at times that the initiative is passing into stronger hands. Such is often the earmark of important turning points after prolonged declines. Yet these hopes are belittled by the relative price action of the better quality stocks. In fact, our Index of Investment Consumer Goods Stocks, which consists of the strongest equities on the Board, responded hardly at all to last week's spurt. And, prior to March 15, it was

leading the downward procession in company with our Index of High-Priced Stocks.

"The character of these reports should not be misunderstood. No claim is made here that it is possible to predict with precision the fluctuations of the market from day to day. They may be caused by extraneous factors. Our aim is merely to study the underlying structural relations which are the materials out of which the trends are built. So far no evidence has appeared that a significant upward trend is in the making. Perhaps a stronger following than that of last week may develop if new efforts are made to push the market up. It seems doubtful, however, that it can gain much momentum. Technical indications still point to a further extension of the decline."

## Analysis of Short-Term Trends

For periods shorter than those of the cyclical swings, the relative value of the services that can be rendered to the investor by a direct analysis of market trends, as compared to those that can be derived from an analysis of the underlying economic conditions, is even greater. These shorter movements often have no counterpart at all in the state of and outlook for business. Frequently their cause lies in changes in the psychological attitude of buyers and sellers of stocks rather than in changes in the trends of production or profits. Lord Keynes defined speculation as the process of forecasting the psychology of the market. He ascribed to it a leading part in market operations:

"A conventional valuation which is established as the outcome of the mass psychology... is liable to change violently as the result of a sudden fluctuation of opinion due to factors which do not really make much difference to the prospective yield."

These waves of optimism and pessimism are so powerful that even the well informed investor "is forced to concern himself with the anticipation of impending changes, in the news or in the atmosphere, of the kind by which experience shows that the mass psychology of the market is most influenced." And this generates a "battle of wits to anticipate the basis of conventional valuation a few months hence, rather than the prospective yield of an investment over a long term of years..."

## Psychology versus Economics

When psychological influences dominate the market, an economist can provide no guidance to the investor. But a painstaking analysis of structural changes in the internal relations of the market itself can detect the probability of impending changes in its price trends. For once we know how to isolate and detect the forces that generate market trends or whose withdrawal will cause their disintegration, we are well along the road of determining the timing of their reversals.

While catching short term fluctuations in stock prices does not have for the investor the same vital interest as timing their cyclical turns, it cannot be completely ignored. The selection of the most profitable moment for the execution of a decision to buy or sell can often mean large differences in dollars and cents.

## Summary and Conclusion

Indirect methods of analyzing the levels and trends of stock prices are so subject to limitations

as to suggest the desirability of direct study. But the indexes and averages most commonly used for technical market analysis show surface conditions alone. They do not expose internal structural changes in the market which often betoken impending changes in its trend. The indexes devised by the author measure internal market conditions from many different angles. The difficult markets of 1946 and 1947 were a good testing ground for the new indicators. They acquitted themselves well, giving ample warning of the successive declines.

The technique of scientific market analysis is barely at its inception. Many other methods can be used and developed. By taking sufficiently substantial and representative samples of the different segments of the market, and by submitting them to appropriate statistical processing for measuring the changes in price-volume relations, valuable information may be obtained.

However, this writer is far from

suggesting that all other approaches to investment problems should be discarded or that market analysis suffices unto itself. As for the defense of the country we need the protection of the army, the navy and the air force, so, for the defense of his welfare, the investor needs the services of all the three basic techniques.

Value analysis, economic analysis and market analysis, all are links in the chain of investment thinking and action. None is fully adequate by itself. Each has its own particular field of application in which its comparative advantage and usefulness are greatest. Value analysis is essential, since without it investment thinking remains in a vacuum; and unless an investor studies economic trends, he cannot form an opinion as to the probable future earnings and interest rates — the ingredients of stock values. But market analysis alone can help to solve the all-important problem of timing. For this reason, it is an essential prerequisite of sound investment policy.

# No Sharp Drop in Food Prices

(Continued from page 9)

cline in consumer income is more likely to occur, I believe, in 1948.

The percentage of consumer purchasing directed to agricultural products will diminish as more consumer durable goods become available, but I do not believe this factor will have much effect on farm prices. The supply of durable consumer goods available has steadily increased. In fact the production of many consumer goods such as cars, radios, and washing machines is now considerably above prewar levels, and yet farm prices have continued to rise. I do not anticipate much weakening of farm prices because of people spending more of their income on these durable goods and, therefore, less on pork chops and butter. A considerable volume of new durable goods will, no doubt, be purchased out of savings or on instalments. Some consumer resistance to high food prices is being felt; but so long as incomes are at a fairly high level, I believe the consumer will continue to pay high prices for food.

From all indications we shall have another year of top production in agriculture. Plantings have been heavy, fall and early winter weather has been favorable, quality seeds are in ample supply, more fertilizer and new machinery is available, and the supply of labor is expected to be greater than in recent years. These factors, together with the stimulus of anticipated high prices will again result in near-record production on the farms. In my opinion this high production is the most likely to cause farm prices to fall. But I do not anticipate that they will fall by any sizable amount before the beginning of the new crop year.

The fourth principal factor affecting farm prices, foreign demand, is likely to continue strong. In a recent article in "Barrons," Secretary of Agriculture Anderson pointed out that the needs of Europe for American farm products is likely to be larger than was at first expected.<sup>1</sup> Because of unfavorable weather in western Europe the wheat crop prospects in that area are poor. Furthermore, Great Britain may want more feed to build up its livestock industry, and England and other European nations will want more dried milk and eggs. Even if the purchasing power in European

and other countries is insufficient to purchase much American food, I believe that exports from this country will nevertheless continue. We are unlikely to refuse food to countries where starvation or real hardship exists.

To return then to the questions, when and how far will farm prices fall, it seems to me that farm prices may fall slightly in the immediate future, but on the other hand there is much evidence that they will stay fairly firm until the new crop becomes available in the fall. Concerning how far they will decline, I see little indication at this time of any real weakness in the forces determining farm prices. Consumer purchasing power, I expect, will remain relatively strong during this year. Possibly I am overly optimistic on this score. It is true that consumer purchasing will be directed more to durable goods as they become available, but people will still prefer to eat moderately well, if they have the income. Increased production stimulated by former high prices will tend to weaken farm prices, but the effect of this will be offset possibly in large measure by the foreign demand.

Secretary Anderson in his article in "Barrons" indicated he believed that by the end of this year farm prices would average 20 to 25% lower than they were at the beginning of the year. However, this estimate is based on the assumption of a drop in business activity in the second half of 1947, and I am not willing to agree that we will see a sufficient fall in business activity to bring about such a decline in prices. Furthermore, while farm prices as a whole are sufficiently above support levels to allow a drop of about one-third, the prices of a few important commodities, for example, corn, are close to parity, and, therefore, cannot fall far before support prices—90% of parity—are encountered. This fact will tend to keep certain other commodities above support levels. It is true that as general prices fall, parity prices also decline since they are based on the prices the farmer pays for what he buys. But in practice there tends to be a lag inasmuch as support prices for most crops are announced at the beginning of the marketing season and farmers received the announced prices even if parity prices decline during the season.

In short, while I agree that farm prices are likely to fall, I

do not anticipate that they will drop as soon as many people seem to feel they will. Furthermore, the downward adjustment which will be required to bring them in line with those of other commodities is likely to be arrested to some extent by present price supports. Thus it seems that complete adjustment will not occur until at least the expiration of the Steagall Amendment, that is until at least Dec. 31, 1948.

# Supreme Court Limits Vet Seniority

The United States Supreme Court, ruling on April 14 on that section of the Selective Service Act which provides that where a veteran is entitled to be reemployed in his prewar job he "shall be restored without loss of seniority and shall not be discharged without cause within one year of restoration," declared that the law does not protect a veteran indefinitely against loss of seniority rights on his old job. Associated Press advices stated. The 7 to 2 decision was rendered in the case of Lawrence Whirls, a Cincinnati veteran, whose seniority was reduced from 9 years to 6 months by a contract negotiated, said the Associated Press, by the CIO United Automobile Workers with the Trailmobile Co. of Cincinnati. When the contract was negotiated, the press advices stated, Mr. Whirls had been back from the war for more than a year.

He went to court with the contention that the Selective Service Act prevented reduction of his seniority. The lower courts agreed, but the Supreme Court majority held otherwise.

The Court's decision, delivered by Justice Rutledge, was based on what it called the lack of a showing that Mr. Whirls lost seniority directly because of his being a veteran. From the Associated Press advices we quote:

Before and immediately after his return from service, Mr. Whirls was employed by the Highland Body Manufacturing Co., a Trailmobile subsidiary. Later, Highland's equipment and personnel were transferred to the Trailmobile plant.

In the majority decision, Justice Rutledge said that veterans and non-veterans alike in the Highland group lost seniority standing when the more numerous Trailmobile workers organized themselves into a new union and negotiated a new closed shop contract cutting the men from the merged subsidiary back to a seniority based on the date the Highland company was absorbed.

Referring the case to lower courts for further action, the Supreme Court majority said the time to pass on issues based on the union reorganization will be when those issues are presented directly to a high court.

Mr. Whirls has been read out of the union for taking legal action outside of union procedure, to enforce his claimed rights. That action of the union also was left without Supreme Court review at this time.

Justices Jackson and Frankfurter dissented from the majority opinion. Mr. Jackson said that the seniority rights of Mr. Whirls had been bargained away from him by a union "which, under the National Labor Relations Act, was entitled to bargain as his representative. I do not think that Mr. Whirls' seniority rights after one year are made immutable or immune from collective bargaining," Justice Jackson said. "But the statute restored these rights to him as a veteran. They stand until they are lawfully modified."

<sup>1</sup> Clinton P. Anderson, "Farm Problems for the Next Few Years," *Barrons*, March 24, 1947, p. 8.

# Is the Money Supply Too Large?

(Continued from first page) Our money supply, swollen as a result of war finance, is too large. It is held that the existence of this money—even though its total is no longer increasing—represents a continuing threat of price inflation. Accordingly, it is proposed that the money supply should be reduced. This could be done in three ways: (1) The Government might use any surplus funds to pay off its securities held in commercial banks. (2) The Government might sell bonds to the public and use the proceeds to pay off securities held in commercial banks. (3) The Federal Reserve Banks might restrict commercial bank reserves by selling some of their portfolios of government securities, by raising the discount rate, by increasing bank reserve requirements, or in other more novel ways, as have been suggested. Incidentally, in the process of reducing the money supply by any of these devices, interest rates would tend to rise.

In my judgment, there are three important reasons for questioning whether the present money supply—large though it may be in comparison with past amounts—is too large. I shall discuss each of these reasons briefly.

## Quantity Theory of Money

First, it seems to me that fear of our money supply is based upon an overly literal acceptance of the quantity theory of money. This theory is one of the most ancient and persistent of economic ideas. Briefly stated, it is that the general price level varies more or less directly with the quantity of money. A large money supply is supposed to be associated with high prices and a small money supply with low prices. Applying this theory to the present situation, it is held that the money supply has nearly tripled during the last seven years while wholesale prices have increased by only 85%, on the average. Hence, a further increase in prices is regarded likely, or even inevitable, unless the quantity of money is somehow reduced.

As with most traditional and popular ideas, the quantity theory of money has an element of truth in it. But the relation between the quantity of money and prices is by no means the automatic or invariable thing it is sometimes believed to be.

This can be illustrated. Chart 1 shows index numbers of wholesale prices and of the money supply (i.e., deposits and currency in circulation) since 1800. During this whole period, with few interruptions, the supply of money has increased steadily. Wholesale prices, on the other hand, though subject to important fluctuations, have moved generally in a horizontal direction.

In 1880, for example, the price index was 68 and the index of deposits and currency about 5. In 1915, the price index was 68 and the deposits and currency index 40. In other words, over the

35-year period from 1880 to 1915, the money supply (i.e., deposits and currency) increased by eight times yet the price level at the end of the period was the same as at the beginning.

Again, during the 1930's when we began deficit financing and when the flow of gold to this country was increasing bank reserves, fears of inflation were widespread. Yet the chart shows that in 1929, the price index was about 95 and in 1940 it had fallen to 80, yet—during this same period 1929-1940—the index of deposits and currency increased from 110 to 153.

Again, observe the period of World War I—roughly 1915-1920. The increase in prices during the period is usually attributed to the growth in quantity of money associated with war financing. As the chart shows, deposits and currency did increase somewhat more rapidly than before. Yet, after the war, the amount of deposits and currency continued to increase with only a minor interruption in 1921, but prices were lower in the 'twenties than at the time of the war and, in fact, were declining. Choose any other period you wish, and you will find, I think, that the relation between the quantity of money and prices is not a singularly close one.

The difficulty with the crude quantity theory is that it attempts to explain changes in the price level by one single factor and without considering other more important factors. The quantity of money can affect the price level only through its influence on spending. But it does not follow that people spend more merely because they hold a relatively large amount of money. The most important factor influencing spending is the amount of current income and the second most important factor is the amount of wealth people own. The proportion of wealth they hold in the form of money is only a minor additional factor. Moreover, the effect of the quantity of money on spending is canceled in part by the fact that the interest rate tends to be low when the quantity of money is large as at present.

There is one case in which the quantity of money does strongly influence spending. That is the case of hyper-inflation as in Germany in 1923 or in Hungary today. Under these conditions, the government issues money wantonly. The public loses confidence in the currency and spends it rapidly in order to get rid of it before it depreciates. This increase in spending then causes prices to rise sometimes to fantastic heights.

## Money and National Income

The most important thing shown by this first chart is that historically the quantity of money has increased fairly rapidly and steadily. This increase in money supply has been made necessary in part by the general growth of the country, and in part by other factors as I shall show.

My second point in questioning the view that our present money supply is excessive is this: the amount of money now in existence is apparently about normal in relation to national income—taking into account long-term trends in the relation between the quantity of money and national income. This is suggested by my second chart.

In the upper half of the chart, the solid curve shows national income and the dotted curve money (deposits and currency) since 1800. The lower half of the chart shows the relation between the two, i.e., deposits and currency are expressed as a percentage of national income.

Whereas, before 1870, deposits and currency were less than 20% of national income, by 1900 they were 50%, by 1930 about 70%, and in 1940 over 80% of national income. On the average, this percentage has increased at the rate of 1 3/4% per annum as shown by the trend line.

You will remember that all during this period, prices—aside from irregularities—were moving more or less horizontally. In other words, the money supply of the country was increasing even more rapidly than business activity as measured by national income without exerting an upward pressure on prices.

That the money supply would consistently increase more rapidly than the national income poses an interesting question. There are two principal explanations: (1) The proportion of the nation's production passing through the money-using process has steadily increased as we have shifted from a frontier-barter economy to an economy of specialized machine product on to a mass market. To put it another way, more money is needed now than was needed under frontier conditions. (2) As our wealth has increased, people have wished to hold a greater and greater percentage of their assets in the form of cash. There are many advantages to an individual or business in holding a large cash balance. As people become wealthier, therefore, they tend to want more cash just as they want larger amounts of clothing, automobiles, and other goods.

As things now stand, assuming that the long-term trend in the ratio of money to national income as shown in the lower part of chart 2 fairly represents our growing monetary requirements, the money supply is about in line with requirements, at the present level of prices and of business ac-

tivity. National income is currently running at the rate of about \$176 billions as indicated by the dot near the right-hand margin of the chart, and the supply of money is about \$167 billions. The ratio of money to national income is about 95—also indicated by a dot—which is almost exactly on the long-term trend.

## The Quantity of Money Determined by the Decisions of The Public

A third point is that the present large money supply was created almost entirely in response to the desires of the public to hold money. In the finance of the war, the Government had three sources: (1) taxes, (2) sale of securities to individuals, (3) sale of securities to banks. The Government first raised as much as it felt it could from taxes, then it sold as many bonds to the public as it could, and then it obtained the balance of its requirements from the banks. Only this last resulted in an increase in money. But this money when spent by the Government flowed to individuals and businesses who preferred to hold it rather than use it to buy government securities—which they were always at liberty to do and in fact were strongly urged to do. In other words, the money was created in response to the demands of the community—not as an arbitrary and inflationary action of the Government. The initial spending surely represented an increase in demand, but it does not necessarily follow that its continued existence is a sure source of price inflation.

That this is the amount of money which people want to hold and not the amount which has been foisted on them by unsound finance is evident from the fact that they are always at perfect liberty to buy government securities in exchange for their money—and at good rates of interest (especially in the case of savings bonds). But instead, they choose to hold the money.

## Conclusions

I have advanced three reasons for questioning whether the present money supply is excessive: (1) the quantity theory of money is of dubious validity, (2) the present supply of money bears about a normal relation to national income when long-term trends are considered, and (3) the present money supply exists only in response to the demands of the public to hold money.

In my judgment, therefore, the present supply of money is not necessarily excessive in terms of present rates of production, pres-

ent prices, present rates of interest, and present habits of the public regarding the use of money. Also, I doubt that continued price inflation, or a later resumption of price inflation, is indicated merely on the basis of the quantity of money now in existence.

Recently the monetary authorities have been exercising gentle restrictive pressure on bank reserves in connection with the debt retirement program. Many leaders of public opinion have been advocating more severe restrictions in order to cut down the supply of money further and more rapidly. In my judgment, the authorities are acting wisely to follow a course of moderation. Any sharp restriction of credit at this time might well lead to a serious decline in demand and might precipitate or accentuate the recession—which is so widely expected for reasons of a non-monetary character.

Past experience with the policy of contracting credit near the crest of a boom hardly inspires confidence. This is illustrated in the lower half of chart 2. For example, prior to 1920, the money supply was growing less rapidly than the national income. Credit was tight and interest rates were high. Although I would not go so far as to assert that this was the cause of the 1920-21 depression, I feel that the tight-money policy accentuated it. Again in 1928, the Federal Reserve authorities pursued a restrictive policy. As you can see in the chart, the regular growth in ratio of money to national income, which occurred following 1923, came to an end in 1928. One may at least question whether this action was helpful at that time. So it seems to me at least questionable that severe credit contraction would be appropriate now.

Because of the broad interest in the subject, the "Chronicle" would be pleased to receive comments from readers on Dr. Bowen's thesis that the present money supply is not excessive and on any other related phases of the subject under discussion. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.]

## Harry Severson Joins Dun & Bradstreet Staff

Dun & Bradstreet, Inc. announces that Harry L. Severson has joined the Municipal Service Department of their New York office.

For the past year Mr. Severson has been a member of the staff of the Development Department of Bankers Trust Company, and for nine years prior to that had charge of the investment research program of the Federal Deposit Insurance Corporation in Washington.

He is the author of "Municipal Credit Analysis," which appeared in "Municipals," published by the Federal Deposit Insurance Corporation, as well as articles on municipal bonds and investments.

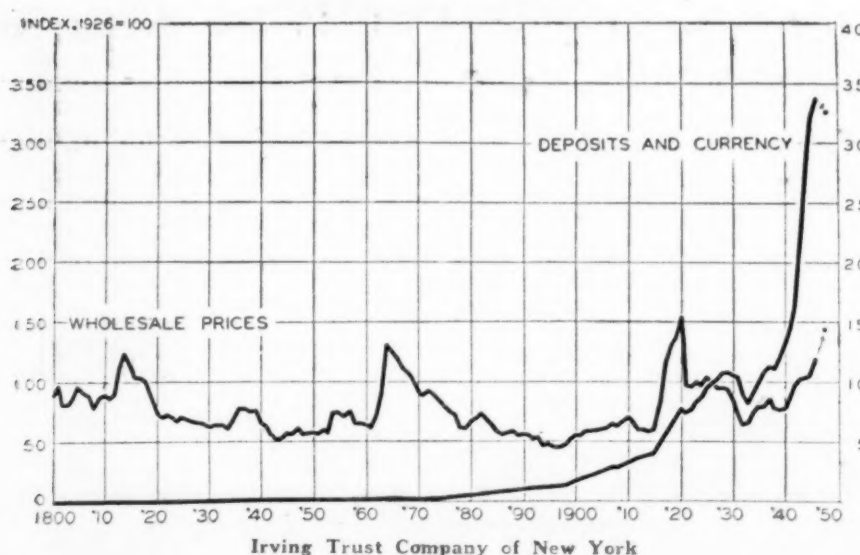
## Now Friedman, Brokaw & Lesser

ST. LOUIS, MO. — Effective April 21st the firm name of Friedman, Brokaw & Samish was changed to Friedman, Brokaw & Lesser. The firm which maintains offices at 711 St. Charles Street holds membership in the New York, St. Louis and Chicago Stock Exchanges, and other exchanges.

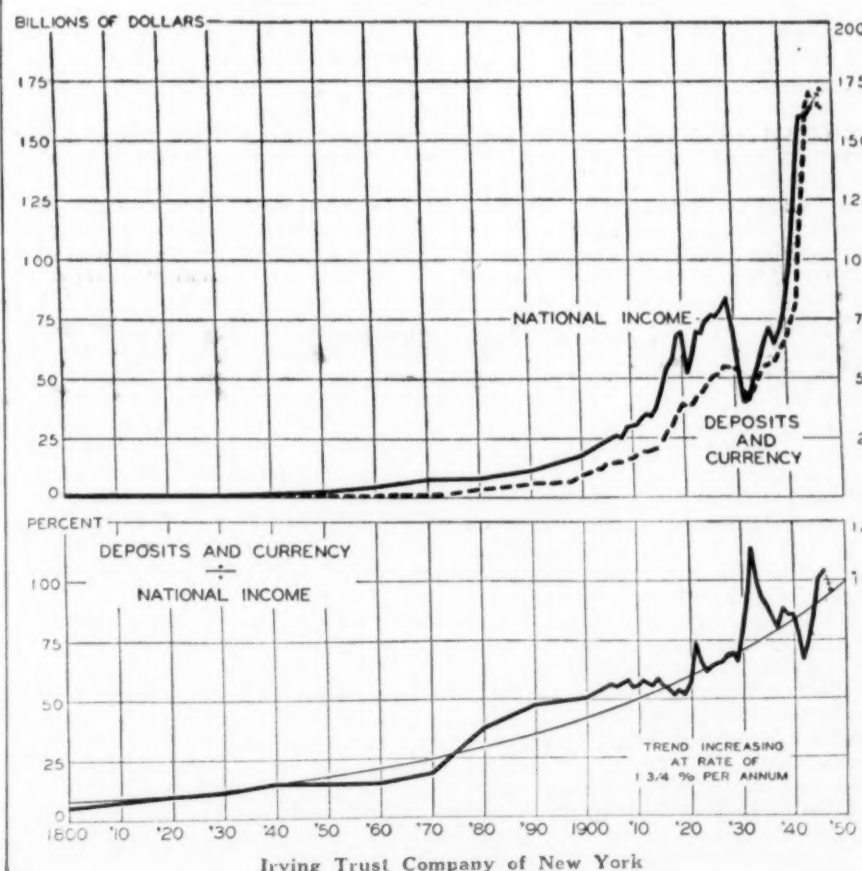
## Rogers & Tracy Installs Wire To Edw. J. Bourbeau & Co.

CHICAGO, ILL. — Rogers & Tracy, 120 South La Salle Street, announces the installation of a direct private wire to their Los Angeles correspondent, Edward J. Bourbeau & Co., 510 South Spring Street.

## MONEY AND PRICES



## MONEY AND NATIONAL INCOME



## Grounds for Immediate Tax Relief

(Continued from page 6)

tax reduction to the maintenance of active business operations, high level employment, and a liberal flow of national income. Apparently those who contend that the tax reduction should be deferred until signs of a recession appear, believe that the current rates of employment, production and national income will continue uninterrupted, in the face of present high tax rates.

Our view is that definite steps should be taken now looking to the support of employment and production in the future. It will be too late, if tax reduction is deferred until positive signs of a recession are visible. A tax reduction such as is provided for in H. R. 1 as amended cannot be expected to have an instantaneous effect. In the hearings before the Ways and Means Committee on this bill, Secretary Snyder admitted that something like a year would be required for the reduction to develop its full effect. This would be just as true if the reduction were to be made at the onset of a definite business recession as it would be under present conditions. In advocating this step now, we are looking ahead to the business situation as it may be a year or so from the present time. There can be no assurance as to what that situation may be then, but testimony is not lacking to the effect that some slackening may be expected. The Council of Economic Advisers, in its first report to the President, last December, referred to the somewhat artificial character of the present prosperity and expressed the view that this prosperity could not be expected to last indefinitely. It is our contention that tax relief, now, to the extent provided in H. R. 1 as amended, will be a substantial anchor to windward in the event that a business recession is brewing. It is our contention, further, that a postponement of action on this important matter until the recession is at hand would be too late. Moreover, it would be dangerous, since we should be obliged to worry along for some time through the recession until the tax reduction had developed its beneficial effects. We know, from experience, that many things can go wrong in even one year of depression tendencies. We consider it the wise and prudent action to be prepared in advance for such a contingency. Therefore, we must disagree with those who think that no tax reduction is necessary at this time on account of the extraordinary prosperity which we are currently experiencing. On the contrary, this is the time to act, if we are to provide such assurance as tax relief can give against a slacking off in the levels of employment, production and national income.

### Redemption of Public Debt

Another general proposition that has been advanced as a basis of opposition to the immediate enactment of H. R. 1 as amended is that we should keep tax rates high during this period of unusual prosperity in order to make a large payment on the public debt.

We agree that the size of the debt and the problem of its management are serious matters. But we would emphasize two points in this connection. The first is that we shall be able to accomplish more toward the ultimate reduction of the public debt if we can maintain a high level of national income. It is far more important that we be able, over a period of years, to make steady, regular payments on the debt than that we take such action for a year or so and then face a recession which will dry up the revenues to a point where debt payment must be suspended. It is our contention that tax relief, now, will

do more to sustain and extend the high level of prosperity which we currently have than can be accomplished by keeping tax rates high.

The second point to be made in this connection is that we are not facing a choice between debt reduction and tax reduction. The outlook for the Federal receipts is such that we can do both. These receipts are now running at record peacetime levels, because of an unprecedented peacetime national income. Again we must emphasize our proposition that we have a better chance of maintaining the national income by reducing taxes than we shall have by not reducing them. Therefore, we shall have a better prospect of being able to continue making good-sized payments on the debt if we reduce taxes now.

To date in the fiscal year 1947 Federal net receipts have been at a rate which indicates a total for the year of some \$41.5 billion. Assuming the continuance of such a rate in the fiscal year 1948, under present tax rates, the limitation of expenditures even to the ceiling of \$33 billion, as approved by the Senate, would provide a margin of some \$8.5 billion. The revenue loss under H. R. 1 as amended is estimated at \$3.8 billion annually. Hence the Federal net receipts, after enactment of H. R. 1 as amended would be \$37.7 billion, which would make available for debt reduction \$4.7 billion under the Senate expenditure ceiling, an amount much in excess of that which the Senate has already voted as a minimum for this purpose. In the event that a conference ceiling were to be set at some amount less than \$33 billion, the available surplus for debt payment would be correspondingly greater. We hold that a payment of from \$4.5 billion to \$5 billion on the debt in the fiscal year 1948 would be more than enough to sustain the confidence of the people in the integrity of the Government's purpose regarding debt redemption, and in the soundness of the values which the debt represents. We hold also that it is fully as important to promote the confidence and the well-being of the people as workers, as consumers and as investors, for it is only as we do this that we can sustain the volume of production and the level of national income from which sufficient revenues can be derived to assure the maintenance of the debt redemption policy.

### High Taxes and Inflation

A third general proposition that has been set up in opposition to tax reduction at this time is that high taxes are useful in combating the inflationary situation. The argument as it is made applies with equal force against any and all tax changes, and not merely to H. R. 1 as amended. The underlying thought appears to be that by taking away more of the current income which the people, as taxpayers, now have, they will be able to spend and invest less and hence will not be as ready to pay high prices as they would be if taxes were reduced and the taxpayers had more money to spend.

We do not agree with this analysis. In our opinion, it is an ill-disguised attempt to justify an Executive budget which is entirely too high. It is true that taxpayers will have less income to spend—and save—if taxes are high than if they are low. That is because the Government, instead of the taxpayer, is doing the spending. This is just as inflationary as private spending. Under present circumstances, it is more so because it diverts materials and manpower from civilian production. Stated differently, the Government's use of the taxpayers' money does not reduce the

demand for goods; but it definitely limits the production of goods with which to meet the demand.

In this connection, the President last August stated that "one of the most effective means" of reducing inflationary pressures "is to reduce Federal expenditures." He also stated that "it is particularly important that the Federal Government not compete with private demand for items in short supply." These words are as true today as then. Yet, the Government is now spending, and contemplates spending next year, but little if any below the rate of last Summer.

The condition which we call inflation is the result of the great expansion of bank credit in the course of the war financing. Relief from this situation can be had either by an immense increase of production, which would correct the distorted price structure by adding to the supply of goods, or the relief can be had by reversing the process of bank credit expansion, which would diminish the aggregate of purchasing power. I would like to quote from a recent discussion of this subject which was issued by a group of experts headed by Randolph Burgess:

"In sum, both bank deposits and money in circulation increased with the rise of government borrowing from the banks, or to put it the other way, with the rise of bank investment in government securities. Part of this increase in the money supply was warranted by substantially higher levels of business, employment, and payrolls. However, during the war the money supply increased much more rapidly than did the national income. In the prosperous twenties, money supply (demand deposits and money in circulation) was about one-third of the annual national income; during the uncertain thirties it averaged slightly less than one-half. The war raised it to about three-quarters of the yearly national income. \* \* \*

"Over a period of years, the economy may expand sufficiently to reestablish relationships between the supply of money and the volume of business more in line with prewar experience. Until that stage is reached, the only effective method for restoring a more normal balance is to reverse the process by which the money supply was increased during the war, or, in other words, to follow policies that will reduce bank holdings of government securities."

Our conclusion from the evidence relative to the nature and the cause of inflation is that reducing taxes would not be inflationary at this time. The inflationary pressure resulting from the expansion of bank credit can be reduced only by contracting the volume of bank credit. By proper and effective control of the spending for current purposes it would be possible to provide a surplus revenue for debt payment within a budget total of \$31.5 billion and even within a much smaller total than that after another year or so. High tax rates, as such, will not diminish the inflation. And I must point out that, although the President's budget for 1948 contemplated the retention of existing tax rates, the provision for a surplus in that budget was much smaller—even after restoration of wartime excise rates and recommended increases in postal rates—than this Congress is intent on providing.

It is possible, however, that the present high tax rates may contribute to the inflationary situation through the effect which these rates may have upon the financing plans of business. There has been a marked increase of private bank borrowing. From June 30, 1945, a date which coin-

cides approximately with the end of the fighting, to Dec. 31, 1946, the loans of commercial banks expanded by \$7.6 billion. It is well understood that an expansion of bank credit through private borrowing has precisely the same inflationary effects as the expansion which occurs through government bank loans. The private bank borrowing was resorted to, in large degree, to secure additional working capital, a necessary requisite to an enlarged scale of business operations. It is logical to assume that the depletion of cash by the heavy taxes on both business and individual incomes compelled business concerns to borrow from the banks on a larger scale than would have been necessary had the tax rates and the tax burdens been lower.

I turn now to some of the specific criticisms that have been made against the tax reductions incorporated in H. R. 1, as amended.

Two principal criticisms that have been advanced require particular attention, because in each case there appears to be a considerable degree of misunderstanding involved.

### H. R. 1, not an Unfair Tax Bill

The first is the charge that H. R. 1 as amended is an unfair tax bill, in that it gives too little relief to those with small incomes.

The question of fairness or unfairness in taxation is always a relative matter. Taxes are burdensome for they represent a reduction of the income which the taxpayer could otherwise use for his own consumption or investment purposes. Taxation means that some one else makes the decisions as to how a portion of each taxpayer's income is to be spent. We all recognize the necessity of this sacrifice of control over a part of our income, but it must be clear that the greater the proportion of one's income over which the private owner has no control, the greater the impairment of the incentives to get income.

In the case of the individual income tax, we have adopted, as a public policy, the procedure of taking relatively more from the large than from the small income. There is no scientific rule in progressive taxation; hence there is no basis on which to determine, by any absolute standard, just how much more it is "fair" to take from a large than from a small income.

During the war all tax rates were advanced to levels that must be regarded as unfair for the postwar period, by any reasonable standard of fairness. In the case of the individual income tax, the progression of tax rates has been steadily steepened in the series of war tax acts. It is doubtful if any candid person can consider the tax rate scale of the 1945 Act without agreeing with the conclusion to which we have come, namely, that this tax rate scale must be revised.

This general revision must be deferred, however, until the Congress enters upon the comprehensive task of tax adjustment and revision. It is not proposed in H. R. 1 as amended. Those who oppose any action on tax reduction at this time are fully cognizant of the severity of the tax rates, but they are evidently prepared to subordinate all questions of fairness or unfairness to such other purposes as they may hold as a basis of their opposition. NAM's recommendation for a 20% cut across the board would have retained precisely the same effective progressive relationship as now exists under the 1945 rates. To the extent that this relationship is acceptable, then the results of a 20% cut must also be so regarded. Whatever degree of fairness or unfairness there may be in the 1945 rates would also exist in the distribution of the tax burden after a 20% cut.

As H. R. 1 as amended passed the House, however, the percentage reductions of tax actually involve a steepening of the tax rate progression beyond that which now exists. The small taxable incomes would receive a 30% cut, and those few large incomes above some \$302,000 would receive only a 10½% cut. It follows, therefore, that H. R. 1 as amended does actually moderate, to the extent of the 10% differential, the relative burden of taxation on the small incomes.

The charge of unfairness has been carried farther, by some, who have demanded that there should be, not merely a liberal percentage cut in the tax at the bottom of the scale, but a complete exemption of additional amounts of income at the bottom.

These demands rest on an unrealistic conception of the distribution of incomes and of the operation of a tax on net incomes. In a statistical exhibit attached to the statement of Secretary Snyder before the Ways and Means Committee it was shown that an increase of \$100 in exemptions across the board would decrease the number of income taxpayers by 4,728,000, and would diminish the revenue by \$1.65 billion.\* An increased exemption of \$200 across the board would reduce the number of taxpayers by 10,528,000 and the revenue by over \$3 billion. In the exhibit was a chart which showed that the first surtax bracket \$0-\$2,000 of taxable surtax income accounts for 72% of total taxable income, and for 56% of total income tax yield, at current national income levels.

These data indicate quite conclusively that it would be impossible to grant as much tax relief at the bottom of the income scale as some have asked for, if any reduction at all were to be made elsewhere in the income scale. We have brought out, in our earlier discussion of the general objectives to be aimed at in this tax measure, that we expect it to be a strong, positive advantage for the economy as a whole. We believe that its enactment will contribute to the maintenance of employment and production in the future. But such results cannot be expected, if the bill concentrates the tax relief at the bottom of the income scale to an extent that makes substantially proportionate relief elsewhere impossible. As the figures just quoted indicate, even so moderate an adjustment as an increase of \$200 in exemptions across the board would cause almost as great a loss of revenue as the flat 20% cut would involve, yet an additional exemption of \$200 would be utterly inadequate as a measure of tax relief for the middle and upper incomes.

### Relief to Middle and Upper Incomes

The second basis of attack against the specific content of H. R. 1 as amended is that it goes too far in the amount of relief to be given to the middle and upper incomes, since the present high level of employment and national income demonstrates that there is no lack of venture capital. Hence, it is argued, there is no need to reduce taxes on the larger incomes in order to permit greater savings.

This contention, as is evident, is a companion piece with the argument that there is insufficient tax reduction provided at the bottom. If no relief at all is required or warranted for the higher incomes at this time, then there would be more leeway for relief at the bottom.

These arguments seem to concede that little or no saving is possible out of the larger incomes under existing tax rates. This is so, perhaps to a greater extent than is realized by those who lay

\*Hearings before the Committee on Ways and Means on H. R. 1, pp. 32, 33.

stress on an economy of consumption without much thought about how production occurs.

We do not minimize the importance of consumption. But, of equal importance, is the health of the producers of the nation—the little ones, the new ones, and those yet to produce anything, as well as the established manufacturers. Production must precede consumption. The thing that distinguishes America is its capacity to produce. Our leadership in the world is wholly dependent on the maintenance and expansion of that capacity.

Capacity to produce and investment in production are one and the same thing. We imperil the capacity to produce whenever and however we imperil the ability and the willingness of individuals to save and to invest.

#### Must Permit Individuals to Save

Only a tax system which permits individuals to save substantial amounts out of income, and to risk such savings in new and untried business ventures, will protect and enlarge our capacity to produce as a nation. The source of savings available for such purposes is, therefore, of primary concern to all the people of this nation. In view of this fact, we have had a study prepared, by NAM's Research Department, of the sources of individual savings and of the effects of the present individual income tax on savings. It is appended to the formal statement or brief filed with this Committee on Monday. Briefly, its findings are:

1. The rate of saving like the rate of taxation is progressive. In other words, the greater the individual's income, the greater the percentage of his income which is saved.

2. The nation is nearly entirely dependent for new venture capital on savings of individuals with incomes exceeding \$10,000 per year.

3. At present, personal income taxes consume approximately half the potential savings of the nation. And

4. Of those savings which are not taxed away at present the great bulk are not in a form which makes them available for financing enterprises involving risk. This means that personal income taxes today consume very nearly all of the potential savings which, except for the taxes, would be available as risk or venture capital.

Thus, the study leads to the conclusion that high taxes on the larger incomes are paid primarily out of income that would have been saved and invested, and only secondarily out of income that would either have been spent or saved in other forms.

It is thus clear that, if the tax relief to be provided at the present time were to be concentrated as heavily in the lower income brackets as some have proposed, there would be only a small amount of savings accumulated out of these incomes by reason of the tax reduction.

The argument that there is no present need for venture capital reveals an inadequate understanding of the way in which our complex economic system works. The present employment situation is in no sense an indicator of the need which the economy now has, or will have, for new supplies of capital. We have already cited the expansion of bank loans, an expansion which to some extent would not have occurred had tax rates been lower. The important fact in this connection, as in our earlier discussion of the bearing of tax reduction upon future employment and business activity, is the substantial time lag between the release of income through tax reduction and the accumulation of savings and the conversion of the saved funds into new capital equipment. A considerable time would be required, after tax rates were reduced, for individuals having incomes from which something

could then be saved, to accumulate amounts of any size out of current income. This cannot happen overnight, or even in a single year. In stressing the need for new venture capital, we are looking to the future, for which we must now begin to make preparation. Here also, it will be too late if we delay until the future has become the present before taking steps to provide more capital.

#### Need for More Capital

As we look to the future, we know that there must be more capital provided, for these reasons:

First, there will be a steady net addition of some 500,000 to 600,000 persons annually to the total of workers through population increase. Provision of jobs and opportunity for these new workers to earn good incomes, build homes, establish families, and live comfortable lives is dependent, in our complicated economy, upon a flow of new capital into the varied forms of economic activity. Assuming that it will require anywhere from \$2,000 to \$10,000, according to the type of industry, to provide a job for each additional worker, we shall have, in the growth of population, a steady demand for some billions of additional investment annually while the population growth continues.

Second, there are many new fields of enterprise which can and will be developed when capital is available and when the rewards for the risks involved are once more adequate by reason of lower tax rates. There was a time when some were seriously concerned lest we had reached the stage of a mature economy. The war disposed of this myth and there has been a marked falling-off in the number of those who still preach this doctrine. It is now rather generally realized that enormous possibilities of new and better production await the coming of more venture capital and of a tax system that will not unduly and improperly penalize those who assume the risks of enterprise.

Third, we all look forward to a steady, consistent rise of our scale of living. This rise will be dependent upon the growth of output and productivity per worker, a result which in turn is dependent upon additional capital investment per worker. The expanded capital investment will be required both for the new workers who will come along, and for all members of the present labor force. In short, our capital equipment must be improved both horizontally and vertically. That is, we must gain both in the quantity of investment and in its quality. Increasing output depends on more tools and better tools.

#### Conclusions

In conclusion, our arguments may be briefly summarized.

First, we have shown that the operation of time lag requires action on tax reduction in advance of the conditions under which such reduction becomes an emergency measure. This is true both with respect to the influence of tax reduction in sustaining employment and business activity in face of recessive tendencies, and to its influence in establishing the atmosphere under which new supplies of venture capital will be forthcoming. It is our conviction that the tax reduction should be made now.

Second, we have shown that there can be both tax reduction and debt reduction, in view of the productivity of the Federal tax system at current income levels and of the control over total expenditures which the Congress is inent upon exercising.

Third, we have shown that the tax reduction to be made at this time should be sufficiently broad in its application to all taxpayers to promote the economic motives and incentives to work, to save and invest, and to take the risks

of enterprise. In this connection, we have emphasized the fundamental truth that in the long run the best interests of even the small income recipients will be most fully served by a tax reduction policy which benefits all members of the economic community.

The people want more and better things for use and enjoyment. The tax relief to be provided through enactment of H. R. 1 as amended will be a significant beginning toward the release of the productive energies by which this popular demand can be met. Passage of H. R. 1 as amended will be an act of constructive economic statesmanship.

## Investment Dealers Of Ohio Formed

COLUMBUS, OHIO—Formation of a state organization of securities and investment dealers was announced with election of officers of the Investment Dealers of Ohio, Inc.

Ewing T. Boles, of The Ohio Company, Columbus, was named president; Robert O. Shepard of Hawley, Shepard & Company, Cleveland, vice-president; Harry C. Vonderhaar of Westheimer & Co., Cincinnati, vice-president; and Howard I. Fullerton & Co., Columbus, secretary-treasurer.

The organization will provide its members with information regarding qualification of new securities issues, legislation and court decisions affecting the investment industry. Offices will be maintained in Columbus.

Directors of the new state group, in addition to officers, are: John B. Greene, Greene & Brock, Dayton; John D. Burge, Ball, Burge & Kraus, Cleveland; Jay L. Quigley, Quigley & Co., Cleveland; Richard A. Gottron, Gottron, Russell & Co., Cleveland; Don M. Craft, Collin, Norton & Co., Toledo; Erbe M. Bancroft, Stranahan, Harris & Co., Inc., Toledo; Charles F. Connors, Pohl & Co., Cincinnati; Clair S. Hall, Clair S. Hall & Co., Cincinnati; Willard C. Weiss, Weiss, Work & Co., Cincinnati.

Of the seventy-five members of the organization, thirty are located in Cleveland, twenty-two in Cincinnati, ten in Columbus, seven in Toledo and six in Dayton.

## Export-Import Bank Credits for Brazil

WASHINGTON—(Special to the "Chronicle")—Last week the Export-Import Bank approved three Brazilian credits: (1) a \$6,650,000 railway equipment credit for three years to the Electrical Export Corporation, for the Sorocabana Railway; (2) a three-year credit of \$1,500,000 to the Whitcomb Locomotive Co.; and (3) a credit for the construction of an alkali plant by the Companhia Nacional de Alcalis at Cabo Frio, Brazil, totalling \$7,500,000 amortizable between 1949 and 1959.

#### In New Location

PHILADELPHIA, PA.—Paul & Co., members Philadelphia Stock Exchange and associate members of the New York Curb Exchange, announce removal of their Philadelphia office to 1528 Walnut Street.

## Washington and You

(Continued from page 5)

The non-residential construction worm is on the turn. By propaganda and priority restrictions, Truman's trustees have sought to discourage commercial and industrial building. Now they (1) fear a residential slump; (2) have official estimates that non-residential building likewise is shrinking, (3) would coax industrial and commercial builders to up operations and employment. Commerce Department technicians have revised their earlier estimate of 1947 private non-residential construction downward from \$3.95 billion to somewhere between \$3.3 and \$3.6 billion.

Five Senators who have introduced legislation on proposing a Missouri Valley Authority similar to TVA are merely opportunists—not optimists. Actually, they know their pet project has little chance of nosing into the Federal money bag. They chucked their bill into the hopper simply to grab such attention as may come along. That won't be much.

The government crop insurance program may survive in some form—probably will—but must run two pretty tough obstacle courses. (1) It must parade its wares before a special House subcommittee created to X-ray the merits and demerits of the system. (2) It must extract continuing funds from the skeptical House Appropriations Committee. Watch the farm block go to bat for this one.

Here's important news for some bankers. The Production and Marketing Administration is formulating Federal standards for frozen foods. Bankers have found it especially hazardous to make loans on frozen foods in the absence of standards such as those set for canned goods. In fact, some bankers have lost substantially on frozen food deals. It's largely in their behalf PMA is expediting frosted yardsticks.

Another tangle with Argentina is indicated by that country's reluctance to sell wheat for export at current offers. France is pressing for more U. S. wheat. United States planners say we can't fill their bins, that the French must have Argentine grain. But our southern neighbors want higher prices and our international collectivists aim dark, frustrated and not very diplomatic scowls southward.

Congressmen who have been pressing for legislation specifically prohibiting SEC from touching municipal bonds are satisfied with a written admission by SEC that it has no legal authority to regulate such issues. California's Republican Representative Hinshaw told the "Chronicle" . . . "Since the SEC has committed itself in writing, we're ready to drop our bill categorically exempting municipal bonds from SEC jurisdiction."

Nevada's Democrat Senator McCarran has snatched a paramount issue from napping Republican leaders by introducing legislation to have Congress make a new audit of national government functions . . . to eliminate duplicating and overlapping Federal activities . . . to limit Federal functions "so that our central government will not be too big for men to manage". . . to foster strong state and local governments. That's an ideal GOP platform. But having a Democrat publicly espouse it may embarrass the Republican steersmen into non-

acceptance. Regardless of merit, the McCarran bill will suffer because Republicans failed to think of it first.

Elation at the Treasury Department marks the belated formation of an IBA committee to aid in U. S. savings bond promotion. For months the Treasury has been nagging the investment bankers to fall in line with other banks in exploiting savings bonds. IBA capitulation comes in time for the Treasury's mid-year sales campaign.

Drop around to the Federal Trade Commission for a glimpse at red faces as well as red tape. In a recent broadside against the evils of conglomerate corporations, FTC truculently charged that Sterling Drug, Inc., had even become so conglomerate as to buy a furniture company. That wasn't so. It was some other Sterling outfit that acquired the furniture setup. So temporarily, at least, FTC ferocity subsided into apology.

Veterans Administration officials are perplexed by the rate at which GI business loans are defaulting. One out of every 60 such loans which the VA backed with a government guarantee has already bounced. VA has participated in 59,450 loans totaling \$187,000,000. Of these, 960 have ended in defaults and claims against the government. VA has paid off 732 claims aggregating \$680,000.

Real beneficial impact of the legislation suspending the 4-cent copper excise tax two years isn't to be felt by American fabricators until this year's third quarter. Immediate result will be limited relief from what would have been an acute shortage. The abeyance bill passed through Congress in 78 days, record time for any piece of major legislation.

Government people won't predict how the long range copper price is to be shaped by suspension of the import tax. They generalize the price may jump a couple of cents for a while, thereafter come down by a penny. Determining factor appears to be the amount of profit the Chilean Government extracts from export copper sales.

Take a long breath for the coming, then read the following extract from testimony before the Senate Finance Committee this week by U. S. Chamber of Commerce Federal Finance Chairman Ellsworth C. Alvord . . . "Shortages are decreasing, inventories are at record high levels, orders are leveling off, prices are wobbling, costs are increasing, earning forecasts are less bright, and the entire economy is vulnerable to a variety of unfavorable influences."

Outlook on legislation continuing export controls after June 30 remains too hazy for projection at this time.

Prospect for a business census next year has been clouded by a Senate committee proposal that a highway transportation census be attached. This may survive Senate sniping but will invite House opposition where economizers have already declared against the business study. Census Bureau places at \$1,000,000 the cost of the transportation check.

## Why Tax Reductions Immediately

(Continued from page 4)

basic element in every price tag and in every hourly pay schedule.

I would like to introduce at this point a graphic picture of the rise in some prices since 1939.

We hope prices will come down—all prices—including the price of Federal Government—which as you will note, has risen 371% in this period.

We are apt to forget that the Federal Government is only one part—true, a major part—of this particular problem. Out of a total national income of \$178 billions, the American people are paying out for government—at the state and local, as well as federal, levels—the staggering total of \$52 billion. This is a back-breaking charge that must be met before any taxpayer has a single dollar to spend for his own account. It is a prior lien on the whole productive energy of the American people. If we can't reduce that tax charge, at a time when business activity is at the highest level in the nation's history, we know perfectly well it won't be reduced if business begins to slacken and unemployment begins to mount.

We must start now, it seems to me, to prepare against such adverse developments. The problem is not only financial and economic; it is psychological. Down in North Carolina, where I come from, we found out a long time ago that we could get more work out of a mule by coaxing than by beating. A bag of oats gets better results than a whip. Let's apply this homely adage to our present tax situation.

Our Federal debt today is equivalent to \$6,800 per family. In 1940—only seven years ago—it stood at \$1,200 per family. In 1930 it was \$650 per family. After World War I the Federal debt reached its then peak for all time of \$1,070 per family.

Before Entering New Business:	Mr. A	Mr. B	Mr. C	Total
Net income from outside sources	\$20,000	\$20,000	\$20,000	\$60,000
Interest from investment of \$100,000	2,500	2,500	2,500	7,500
Total net income	\$22,500	\$22,500	\$22,500	\$67,500
Less tax on \$22,500	8,241	8,241	8,241	24,723
Spensible income	\$14,259	\$14,259	\$14,259	\$42,777

The new business was expected to, and did produce, a 12% return. The three men paid off their bank loan in less than six years, the business prospered, and a healthy

Here is the same situation as it would exist today:	Mr. A	Mr. B	Mr. C	Total
1. Income from business assuming 12% return	\$46,400	\$46,400	\$46,400	\$139,200
2. Less interest on bank loan at 3%	8,600	8,600	8,600	25,800
3. Net income from business	\$37,800	\$37,800	\$37,800	\$113,400
4. Assumption: Net income from outside sources	20,000	20,000	20,000	60,000
5. Total net income	\$57,800	\$57,800	\$57,800	\$173,400
6. Tax on \$57,800 (tax bracket of 71.25% or effective tax on the \$57,800 of \$32.70%)	31,036	31,036	31,036	93,108
7. Income after tax	\$26,764	\$26,764	\$26,764	\$80,292
8. Payment on bank loan (at amount to give same spendable income as if they had not gone into the business)	12,505	12,505	12,505	37,515
9. Spensible income	\$14,259	\$14,259	\$14,259	\$42,777

After paying interest on his share of the \$360,000 loan, each man would have net income (including his income from outside sources) of \$57,800. After paying his tax of \$31,036, he would have left \$26,764. Let us assume that each man was willing not to increase his scale of living, but to keep his spendable income at the same level as before entering this business. He could then pay back \$12,505 each year on his loan. At this rate it would take 23 years to repay the bank loan. No bank in the United States would make such a loan today.

Thus after a quarter of a century, each man will have built up his equity in the business, under the following circumstances:

(1) By risking \$387,000 of his capital;

(2) By being content not to increase his scale of living for 23 years; and

(3) On the very optimistic assumption of an annual return of 12% for every one of the 23 years.

It was this combination of opportunity with the ability to ob-

The history of the repayment of all great national debts contracted during war periods shows that reduction is brought about by the creation of new wealth through production. Essential elements in the creation of new wealth are (1) incentive to those who assume the risks of building new business enterprises, (2) hard work by all classes of population, and (3) thrift which makes possible the building of new homes and better living.

### Debt or Tax Reduction

It is for this reason that I have said that the question is far larger than "Which Should Come First—debt reduction or tax reduction?" Earnest and intelligent people have been confused over an argument that has been blown up, out of all proper proportions, in my opinion.

The general feeling that the debt must be reduced during this period of prosperous business is most wholesome. I heartily agree. But to attempt to pay off debt without relieving the taxpayer of at least a part of his excessive tax burden is wrong. It will defeat the very purpose we are trying to achieve.

Let me illustrate how this problem affects business as I saw it work out some years ago.

In order to enter a new business requiring a total capital of \$1,160,000, three men put in \$100,000 each, and borrowed \$860,000 from a bank in their local community at 3% interest.

Before embarking on this new venture, each of these men had net income from outside sources of \$20,000, plus interest of \$2,500 from a safe investment of his \$100,000. At today's sharply higher income tax rates, their spendable income after taxes would have shrunk to \$14,250.

and happily little community grew up around the plant.

Here is the same situation as it would exist today:

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4. Assumption: Net income from outside sources	20,000	20,000	20,000	60,000
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tain adequate capital that made possible the unprecedented development of our whole country. Vast as that development has been, particularly in new industries, the surface has barely been scratched. But that program will come to a halt—indeed to a dead stop—if some of the tax barriers damping the flow of fresh capital are not removed.

Before I leave this particular phase of the subject, I should like to touch upon one question which has been raised: Would tax reduction proposed in H. R. 1 be inflationary?

We must consider tax reduction as only one part of a three-phase fiscal program. The other two phases are: expenditure reduction and debt reduction.

### Tax Reduction Deflationary

The fact that tax reduction is accompanied by debt reduction effectively meets the argument that tax cuts would be inflationary. After all it is the net effect of the Government's fiscal operations which counts. When the

Government takes more money away from the people than it pays out to them, and has a surplus to retire debt, its operations are not inflationary but deflationary. That is what the Government is doing now, and that is what it will still be doing after H. R. 1 is passed. This is true however only so long as Congress adheres to its program of cutting expenditures.

It is true that people will have more to spend if their taxes are cut. On the other hand, the Government will have less to spend, by the same amount. There will not be any more money in the aggregate to spend. People will be spending their own money, for a change, instead of having the Government spend it for them.

In another sense, also, the argument that tax cuts would be inflationary overlooks major considerations. The buying power of vast groups of the population has been cut by price increases. Labor demands higher wages to compensate. Yet higher wages mean still higher prices and a further increase in prices must be avoided. Tax reduction to restore individual buying power helps people keep abreast of living costs, and thereby contributes to price stability.

Finally, I would say that while we should resolutely fight against further inflation, we must also avoid the opposite extreme of monetary deflation introduced by too much or too rapid debt retirement. There are now signs that the inflation has about run its course. If the economy is ready to turn downward, a further argument is provided for balancing debt cuts with tax cuts.

For all these reasons I believe the claim that this program would be inflationary is without merit. It may be an excuse but it is certainly not a valid reason for opposing tax reduction.

The next question is whether the program of tax reduction embodied in H. R. 1 is a good program or whether some other would be better. I think it is a good program, first, because it is in an amount that we can afford and still retire debt. Second, because it makes the same percentage cut for all taxpayers with the exception of a larger cut for the lowest brackets and a smaller cut for the few persons in the top brackets.

Suppose you were offered \$1 for your first hour's work, 75¢ for the second hour, 40¢ for the third hour, and 15¢ for the fourth hour, how long do you think you would work? Yet this is essentially

what we ask the men who guide our businesses to do when we levy taxes under the present schedules.

### Across-the-Board Reductions

There is still another misconception regarding the tax reduction method proposed under H. R. 1 that is in need of clarification. This is the proposal for across-the-board reductions. The argument is made that this benefits the larger taxpayer more than it does the small taxpayer. By examining the chart which I submit herewith to the Committee you will see that the reductions proposed maintain exactly the same relationships between different levels of income as under the present law.

RATIO BETWEEN TAXES PAID UNDER PRESENT LAW AND UNDER H. R. 1 AT VARIOUS INCOME LEVELS

	\$2,000	\$5,000	Ratio Between Taxes Paid
Tax under Present Law	\$380.00	\$1,045.00	2.75
Tax under H. R. 1	304.00	836.00	2.75
Taxable Income	\$5,000	\$10,000	Ratio Between Taxes Paid
Tax under Present Law	\$1,045.00	\$2,508.00	2.40
Tax under H. R. 1	836.00	2,006.40	2.40
Taxable Income	\$10,000	\$20,000	Ratio Between Taxes Paid
Tax under Present Law	\$2,508.00	\$6,897.00	2.75
Tax under H. R. 1	2,006.40	5,517.60	2.75
Taxable Income	\$20,000	\$30,000	Ratio Between Taxes Paid
Tax under Present Law	\$6,897.00	\$12,559.00	1.82
Tax under H. R. 1	5,517.60	10,047.20	1.82
Taxable Income	\$30,000	\$40,000	Ratio Between Taxes Paid
Tax under Present Law	\$12,559.00	\$18,753.00	1.49
Tax under H. R. 1	10,047.20	15,002.40	1.49
Taxable Income	\$40,000	\$50,000	Ratio Between Taxes Paid
Tax under Present Law	\$18,753.00	\$25,479.00	1.36
Tax under H. R. 1	15,002.40	20,383.20	1.36
Taxable Income	\$50,000	\$100,000	Ratio Between Taxes Paid
Tax under Present Law	\$380.00	\$25,479.00	67.05
Tax under H. R. 1	304.00	20,383.20	67.05

The theory of "ability to pay," which underlies and justifies our income tax schedules, has been abused. For instance, under the Revenue Acts of 1936 and 1938, our concepts of taxation were changed from revenue-raising purposes to the use of taxation for social ends. This was based on a socialistic philosophy and has no

place in the tax system of our capitalistic economy.

The bankruptcy of this policy should be evident. Income taxes have now been scaled up progressively to the point where they provide virtually 75% of Treasury revenue. This fact alone entails the most far-reaching consequences which are worth examining.

When a position is reached where the Government is completely dependent upon one main source of revenue—in this case, the income tax—that source of revenue tends to become, as far as the Treasury is concerned, the most indispensable of all taxes. When business slackens, Treasury revenues will fall rapidly.

Similarly, there develops a fixed relationship between the financing of Government spending, proceeding at an unprecedented rate, and the income tax rates required to sustain that spending. In other words, the greater the spending, the greater the necessity to justify the confiscatory surtax rates levied primarily against the business groups of the country. The result is that the time never arrives when it becomes possible to make voluntary reductions in such rates. Always the argument is made that the lower income groups should receive preferred treatment, a viewpoint which is designed to receive widespread political support.

Next, let's turn to the inequity of this situation, as reflected in tax yields to the Treasury. Here we find how completely the existing surtax brackets have sucked dry almost every available dollar that can be obtained from the higher income groups.

How much revenue would the Treasury actually lose if all income tax receipts on income over \$100,000 were segregated from general tax revenues? The answer is \$877 millions! In other words, the surtax rates long ago passed the point of diminishing returns and became, in fact, purely punitive levies against wealth as it is expressed in the form of income, or against the country's managerial capacity employed to direct our industrial enterprises.

Next, let's see how really discriminatory these surtaxes are and how, as a result, they fail of any revenue-producing purpose. As a matter of fact, these rates are

## THE HIGH COST of LIVING

### 1939 PRICES & 1947 PRICES

1939  
MANUFACTURED  
PRODUCTS

70% INCREASE

1947  
MANUFACTURED  
PRODUCTS

1939  
CLOTHING

77% INCREASE

1947  
CLOTHING

1939  
FOOD

93% INCREASE

1947  
FOOD

1939  
FEDERAL  
GOVERNMENT

371% INCREASE

1947  
FEDERAL GOVERNMENT

now so high that if all income above the \$50,000 level were actually confiscated over what is now left after the payment of taxes, the total sum accruing to the Government would be only \$382 millions! In other words, if the surtax brackets were raised to a full 100% after the \$50,000 level of income, the increased tax return to the Government would be enough to run the Government about three days. That shows, I think, how little still remains for the tax collector to get from our present high income groups!

Now I want to make myself absolutely clear. I am addressing myself to one particular phase of this question: the taxation of ability and energy; in other words, the tax on earned incomes. I am making on plea for the rich. What I do protest is a foolish and dangerous discrimination against those with managerial ability, which has no economic justification, and rests solely upon a mischievous class consciousness. What I protest is not a tax on wealth or income but a tax on brains—a stupid levy against the know-how and the managerial experience that are the nation's greatest assets!

The enactment of H. R. 1 by the Congress in no way precludes a thorough-going revision of our entire tax system. Therefore I support wholeheartedly the program of cutting spending to the limit as voted by the Congress, of cutting taxes as proposed by H. R. 1, and of applying to debt reduction the surplus that will result therefrom.

## Grand Ave. Bank of Kansas City Forming

KANSAS CITY, MO.—A new bank is in process of organization under the name of the Grand Avenue Bank of Kansas City and will be located in the quarters now occupied by City National Bank and Trust Company at Eighteenth and Grand.

The new bank is expected to start the same day City National moves to its new quarters in the R. A. Long Building at Tenth Street and Grand Avenue.

R. Crosby Kemper, President of City National, said it would take about ten weeks to complete the work at the downtown quarters. Remodeling currently is suspended by the construction workers' strike.

Financial arrangements and capitalization of the new bank have been completed. The institution will have an initial capitalization of \$625,000, consisting of \$250,000 in capital, \$250,000 in paid-up surplus and \$125,000 in paid-up undivided profits.

The management of the new bank will include R. V. Aycock, a director of City National the last 25 years, as President; John C. House, assistant cashier of City National, as Vice-President, and M. H. Ely, chief bookkeeper of City National, as Cashier. The board of directors will be named later.

City National will lease the basement and main floor of its present quarters to the new bank. The mezzanine will not be taken by the bank.

The new institution will conduct a general commercial banking business, including safety deposit and saving services. It will not have a trust department.

Of the 12,500 shares of \$20 par capital stock to be issued, 20% will be set aside for officials of the new bank. The remaining 10,000 shares are to be offered to the stockholders of City National at the rate of one share of stock in the new bank for each share held at \$50 a share. Stockholders will have until May 3 to accept the offer.

Mr. Kemper said the stock has been oversubscribed.

Formal application for a state charter will be made May 4.

## Our Opportunities in World Commerce

(Continued from page 7)

expect to import about \$9 billions of goods and services, or nearly \$2 billions more than last year. But the gap between our imports and exports will still be in the vicinity of \$7 billions, which we expect to close in the following ways: about \$2½ billions of public and private gifts; about \$3½ billions of long and short-term loans; and about \$1½ billions from drawing down foreign dollar balances and sales of foreign assets in this country.

### Trade Volume Increased

Those figures contain in a nutshell the story of both our difficulties and our opportunities in world trade. First it is clear that our trade volume is much greater than prewar, and the reasons for this are apparent. The disorganized countries of the world are in need of food and other products which only we are in a position to provide. We ourselves are enjoying a level of national income which is unprecedented in our history.

The only practical limitation on our exports of needed goods and services to other countries is the supply of dollars available to people who want to buy our goods. In brief, the alternatives boil down to this: we can give dollars away; we can lend them; and we can make dollars available in payment for goods and services which we import.

To date we have given many dollars away, which was absolutely necessary. In the aftermath of the recent war we responded to the emergency needs of other countries in terms of our highest humanitarian ideals. Our gifts are now tapering off as these needs are passing.

However, gifts are not a basis for long-run trade which will be of mutual benefit to all parties. Government and private loans and investments at the present time are necessary to restore and expand productive machinery, which is basic to healthy and increasing trade. Rehabilitation and reconstruction loans are seed which will produce long-term increases in living standards and productivity around the world.

### Credit for World Reconstruction

To date, we have extended a substantial volume of credit for world reconstruction. The Government has a total of slightly more than \$9 billions of active credit commitments abroad. Through our subscription to the International Monetary Fund, our capital subscription to the World Bank, and unused authority of the Export-Import Bank, further credit is available. And in addition to government credits, the World Bank has authority to raise sums of capital from private sources in the United States.

In other words, America has already done a great deal, and in cooperation with other countries we have established mechanisms through which further assistance can be given. We shall continue to extend help to put the world back on its feet economically and financially and to put a firm foundation under world commerce.

However, in the long run, the success of our participation in world economic affairs will be measured by the success we achieve in expanding our imports and in encouraging a steady flow of sound investments abroad. That is the hard core of the problem: at some future time we must achieve a rough balance between our exports and the service on our loans on the one hand, and our imports and the normal outflow of investments on the other. On occasions in the past, this country has risen to heights of indignation at the fact that other countries failed to pay their debts to

us. But it was too seldom realized that by our own restrictive and protectionist trade policies we ourselves made it impossible in some cases for those other countries to pay us back, however much they may have wanted to. We have now become the greatest creditor and lending nation in the world; it has become absolutely necessary that we increase the volume of our imports. To continue practices which would make it impossible for debtors to service our loans will mean that by our exports and our loans we will simply be divesting ourselves of our wealth and property in the long run, and we will be destroying further opportunities for profitable investments abroad.

### How Can We Expand Imports?

The immediate problem, then, is how can we expand the volume of our imports? For me to speak on this subject to you men, who have spent your lives in the study of that very problem, will require some boldness, but anyway I shall give you my views.

In fundamental terms, basic determinants of the volume of imports are the level of our business activity in this country and the legal restrictions and controls which exist both in this country and abroad. At present we are enjoying virtually full employment, and although there are some disturbing signs—particularly in the rising agricultural and industrial prices—I am nevertheless confident in saying that, on the basis of national income, importers can expect continued wide opportunities for increasing the volume of their business.

In regard to tariffs, restrictions, and international arrangements on these matters, I expect to say something later.

I believe that aside from these important matters there are still important ways for expanding our imports.

First, at the present rate of industrial activity, we are using up our reserves of basic minerals at an excessive rate. During the war we consumed a large proportion of our remaining copper, zinc, and lead, and we drained our reserves of petroleum without stint. We used up a good part of our high grade iron ore deposits also.

To sustain a high level of business activity and to protect our remaining natural resources we will have to increase imports of these vital materials.

If in the future our governmental stockpiling program for strategic materials is expanded as I feel it should be, our imports of these materials will further increase. This will provide even greater opportunities for importers. Purchases of these supplies should be handled to the greatest practicable extent through private traders, not through governmental purchasing commissions or inter-governmental arrangements. Furthermore, importers as well as American business in general should be given assurance that these reserves of materials will be held for special emergency purposes, and will not sometimes be dumped on our domestic market.

Second, I think most of you will agree that, speaking generally, importers have failed to take full advantage of new marketing and distribution methods as they have been developed in merchandising domestic products. I have been most interested to see the work which such organizations as the World Trade Foundation have been doing to introduce more advanced methods of market analysis and distribution. Dealers in imported goods cannot afford to confine their attention to a limited number of metropolitan markets, nor to narrow segments of the population. The United States

market is a complex of many submarkets; inland markets, smaller urban areas, and the various income groups in our population all provide opportunities for imports which should be explored. With our increased national income more effective market analysis and distribution for special quality manufactured consumer goods is of unusual importance since it is in this field that a part of our necessary expansion of imports must come. Demand for raw materials and semi-processed goods is closely tied to the level of production. Technology, employment and national income; significant increases in import volume at any given level of business activity will have to come in those products for which relatively untapped consumer markets exist.

With a high level of national income, more and more Americans will want to draw on resources and products of the world to increase the richness and variety of their standard of living. Through improved merchandising methods, importers will better serve their own interests as well as the nation's needs.

Third, continued cooperation between government and business in the field of imports will be of the greatest influence in reducing and eliminating those "invisible barriers" to expanding trade in the form of unnecessary or outdated administrative procedures and requirements for getting goods into the country. Individually these obstacles may be trivial, but as every dealer in imported goods knows, they can amount to important impediments to trade when considered all together. To date, of course, we have already made important gains in this direction. The Importers Advisory Committee which works with the Department of Commerce has been of much help to us in pointing out problems from the practical view of the practicing importer, and in recommending solutions. I am pleased to report that several constructive steps have recently been taken. The new directive to commercial attaches of the Foreign Service is a significant gain. It was designed to give the same kind of assistance to importers as has in the past been given to American exporters. Activities and policies of the several government agencies dealing with foreign trade, and especially imports, have been better coordinated, but still further progress can be made along this line. To do the job we will need your continued advice and support. And in all activities, of course, it is the responsibility of private groups, not the bureaucrats themselves, to see to it that essential functions are not crippled or eliminated by the executive or legislative branches of the government. Your organized activity in this regard has already been of the greatest influence, and it will continue to be.

### The Geneva Conference

Now I would like to remark about the trade conference which is at present taking place in Geneva, to which I referred earlier.

There are some lines of business which tend to narrow a man's horizons, and which tend to cut him off from the larger currents of human affairs. The business of importing is distinctly not one of these, rather, it draws a man's interest necessarily to events in all quarters of the globe. It requires a realization of the close inter-relationship in the modern world between government and business, and between national and international events.

The present meetings at Geneva are a case in point. What happens there will be your weather forecast for business; your inter-

ests are directly involved in this great world event.

It would be unreasonable to expect drastic elimination of all trade restrictions as an outcome of the Geneva meetings. Many other countries have been forced to erect trade barriers to limit imports to the necessities of life and thus protect their supplies of foreign currencies. Only through a general restoration of productive facilities and expanded world trade will it be possible for other countries to join fully with us in accomplishing our trade objectives.

Despite political tensions which exist today, and despite differences in viewpoint which are evident among the several delegations at Geneva, there appear to exist powerful underlying forces for agreement. All participating countries—aside from their special problems—fundamentally recognize that expanding multilateral trade is indispensable for their own recovery. I am confident that substantial agreement will be reached on the proposals for an International Trade Organization, and that the tariff negotiations will come to a profitable conclusion.

The Geneva meetings, therefore, will be another important stride in reinforcing our own prosperity and the health of our economy. For American importers it will be a sign of fair weather and clearing skies. For the world as a whole it will mean that a major challenge will have been met by the major trading nations of the world to carry out the kind of economic cooperation essential for enduring peace.

## Dick & Merle-Smith Admits W. E. Roosevelt

W. Emlen Roosevelt, the sixth generation of his family to be engaged in the banking business, on May 1 will become a general

partner in the N. Y. Stock Exchange firm of Dick & Merle-Smith, 30 Pine Street, New York City, investment bankers. As successor to the securities business of Roosevelt & Son, founded in 1797 by Mr. Roosevelt's great-great-grandfather, James I. Roosevelt, Dick & Merle-Smith stems back to the oldest New York firm in the securities field.

The partnership of Dick & Merle-Smith was created thirteen years ago by Fairman R. Dick, and Van Santvoorde Merle-Smith, then partners of Roosevelt & Son, to take over that firm's securities business, following enactment of Federal banking legislation which made this step necessary. Roosevelt & Son is now engaged exclusively in the business of property and investment management.

W. Emlen Roosevelt is the namesake of his grandfather, senior partner of Roosevelt & Son from 1898 until his death in 1930. He attended Andover and Princeton University. Entering the United States Army in 1941, he was discharged with the rank of Lieutenant-Colonel last year, after service overseas with the First Army. His last Army assignment was as Finance Officer of the Fifteenth Armored Division. Mr. Roosevelt's father, John K. Roosevelt, and his uncle, George Emlen Roosevelt, are presently partners of Roosevelt & Son.



W. Emlen Roosevelt

## Inventories and Price Trends

(Continued from page 15)

for others, no generalization concerning current policy would be at all sound. However, some general observations can be made.

"When all prices are rising, it is a risk not to build inventory. For several years most of you have had the alternative of buying all you could lay your hands on, or of closing your plants. In some lines of business, buying ahead has now become a greater risk than not buying ahead. A few still face the squeeze of scarcities.

"These latter must now recognize that when price declines spread from industry to industry, their own industry will not be permanently immune. No matter how inconceivable it may now seem to them that their materials will soon be plentiful instead of scarce, they must keep an alert watch on changes in supply. For them it will be particularly important to keep in mind that as soon as they and their purchasing competitors stop building inventories, demand for the materials they buy will lessen even if consumption is maintained.

"All plans for plant expansion or for integration of production should now be carefully reviewed.

"As for wages, they tend to be the last price to stop rising.

"A year ago it was being widely said that prices of manufactured goods could not decline so long as wages kept moving upward. Most of you now realize that this was wishful thinking. Market conditions may force you to lower your prices, while wages remain firm or even rise further. From your standpoint, your only answers to this dilemma are lower raw material prices, manufacturing cost reduction through increased efficiency, and shutting down of marginal high cost production units.

### Policies for the Longer Future

"In a 'seller's market,' there is an umbrella over the production man's head. In a 'buyer's market,' with prices in a declining trend, he has no protection except constantly to improve his performance. If prices in the next 25 years follow their characteristic postwar behavior, an entirely different production mind will be called for than that which has been most widely successful in the past fifteen years. Top management ought to be keenly aware of this and start right now checking every long-time policy and plan for manufacturing, marketing, and finance. One old but little known precept deserves special thought: In a period of rising prices, highly integrated production is an advantage. In a period of declining prices, it may be a disadvantage.

### Policies For All Time

"Finally, I want to suggest to you something much more basic than a mere adjustment of policies and plans to whatever price conditions may now be ahead. I should like to make a plea that you get away from the 'shotgun wedding' type of response to price change.

"The old saying that the most constant thing in the world is change is definitely true of prices. Prices rise for a while, then they go down. After they have gone down a while, they rise. The price cycle is always with us. But when the inevitable change comes, the traditional and typical attitude of business men is to postpone decision and action until the force of circumstances is overpowering.

"My suggestion is twofold.

"First, every business should have two sets of policies, both carefully worked out. One set of policies should be appropriate to a period of rising prices, and should cover, in the manufacturing end, not only purchasing for

inventories, but also employment, equipment purchase, wages, hours, organization setup, quality and inspection, cost control, plant size—yes, even plant location. Anything within the manufacturer's responsibility, in fact, that would have called for different strategy in 1929-1932 than in 1932-1937. In longer terms, consider the difference between 1920-1932 and 1932-1946.

"Marketing and pricing, which tie production to the rest of the business, need even more consideration.

"Second, there should be carefully worked out in advance an understanding of the conditions which will cause one set of policies to be put on the shelf and the other set dusted off. Successful generals formulate their strategy of offense before they assume the offensive. In addition, they have clearly in mind what circumstances will call for the change from the defensive to the offensive—or vice versa. Generals in industry may well follow their example.

"Here is where we come again to the study of price behavior.

"One reason why business men have in past been subject to emergency decisions regarding prices is that the field of prices has been left to theorists. This is no longer necessary.

"An amazing amount of data about prices is now available, sufficient to throw light on almost any price problem if it is studied from the standpoint of behavior. After more than 20 years of observing the way in which competent manufacturing organizations work out their problems, I am confident that if you will give the same attention to prices that you have previously given to other phases of management, you will get farther faster than by listening to all us 'experts.'

"Begin by getting records as far back as you can, of the prices which mean most to you. Study how they have changed, in past. Compare their change with those in the general price level. Do they tend to come sooner, later, oftener, less often, than the average? Are they more or less violent? Study and watch some prices which do not concern you directly, so that you can see the forest as well as the trees.

"Notice the cycles in the prices you study, and break them into phases. Not only the phase grouping I have suggested here, but other steps through which each cycle usually passes.

"Once you see the pattern, it will amaze you to note how details of news, discussion, gossip and political talk fit into it, and the confusion of others adds to your own clarity.

"Then, if you work out your two sets of policies, you are ready for action in almost any conceivable circumstances."

## Bond Club of New York Announces Guests

John J. McCloy, president of the International Bank for Reconstruction and Development, Eugene R. Black, United States executive director, Robert L. Garner, vice president and E. Fleetwood Dunstan, director of marketing, will be guests of honor at a luncheon meeting of the Bond Club of New York to be held at the Bankers Club on May 26, James Coggeshall, Jr., president of the Bond Club, announced.

## A Bird's Eye View of Central Europe

(Continued from page 2)

foreign exchange. There is a scarcity of dollar exchange in these countries. The less you have of anything the greater its utility. And so Europeans become very selective, as they must very necessarily do, in the expenditure of their stocks.

As a measure of cooperation with importers and sales outlets I made it a point to consult with government officials in the various countries visited. Those visitations were for the object of finding out just what the procedure was in connection with the issuance of import licenses, and what I could do as a representative of an American producer to expedite or speed up the issuance of those licenses.

It was not surprising to find that in most of the countries an application for an import license is considered by the bureau charged with that responsibility first on the basis of essentiality. Was the commodity essential to the country? Particularly in connection with its industrial rehabilitation. If the subject commodity did not pass that test, usually a rejection followed. In the event subject commodity of an application for an import license was being produced in the country, then price took on a new significance. At this time I want to say that price is becoming very, very important to Europe. Immediately after liberation I think it was the general temper of those countries to get what they could and to get it as fast as they could. But they are now becoming a little more careful in considering purchases from the standpoint of price. Some folks think it is a push-over to go to Europe and build up a lot of sales. I would like to discourage that idea. You have got to go over and sell; you have got to go over and certainly assure definite deliveries. And you have got to have your price right.

If your particular product passes the test of essentiality and if you can make firm offers of definite deliveries, I think you should do business. With the exception of one country it may be said that the various European governments manifested to me a willingness to expedite the issuance of import licenses. For instance, upon my arrival in one country I consulted with a banker to check on the question of foreign exchange. He was not very optimistic. That, however, did not discourage me. Certainly there was no room in the field of sales promotion for those who are pessimistic. After talking with the banker I proceeded to talk with the gentleman in charge of the government bureau having to do with the issuance of import licenses. He assured me that if I could initiate business in that country that his cooperation would be extended in granting licenses promptly. I thereupon went out and dug up business, and true to his word the import licenses were granted and they were granted promptly.

That experience made the thought occur to me that very frequently these things that appear so insurmountable when sitting at a desk can certainly be resolved by personal negotiations in the field. I would like to suggest that maybe it is time for some of us to cut loose from the desk.

### Business Out-Look in Particular Countries

In January I spent three weeks in Sweden. During that time I had the opportunity to talk with a great many businessmen and industrialists concerning the future of Swedish trade. Business conditions were favorable, but there were two matters that tended to irritate businessmen. One was the tendency of foreign exchange to

be decreasing, and the other, and certainly more important, were the repercussions on businessmen in Sweden that emanated from the trade between Sweden and Russia. The obligations Sweden assumed under the provisions of that treaty called for large exports of steel, machinery, ball-bearings and other materials. In exchange for that Sweden is now procuring foreign exchange.

As one interested in trading with Sweden I was more concerned with the implications of that treaty than with a decreasing foreign exchange. Constantly I would inquire into the background of that treaty. Whether the query was made in Stockholm, Goteborg, or Malmo, the reply was always in the same vein, and ran something like this: There was no good business reason for the treaty. As a matter of fact, the public did not have an opportunity to participate in the discussions or formulations of that treaty. It had little knowledge of the affair before it became a sealed document. It was strictly a political move on the part of Sweden in the hope of maintaining a state of neutrality in the event of a future war. Consensus of opinion had it that Sweden had tried to buy security. According to reports, Russia in January had a mission of 140 engineers and technicians in all Swedish factories. It was expected that that number would be increased to 500 in February. One large manufacturer expressed the opinion to me that if that tendency continued, if such visitation was to be maintained and increased on the part of Russia, then certainly she, Russia, would know as much about Swedish trade by the end of the year as the Swedes themselves. And he went on in a very pessimistic mood to say that in his opinion unless there was some change, Sweden would become a puppet of Russia within the next decade.

Personally I don't think I would be willing to embrace that idea, but if it does become widespread it is going to have an effect on business. Sweden's economy has been sound, but we have also noticed recently that it has become regulated, and certainly that will slow down the pace of negotiations in business circles.

In Denmark it was interesting to observe that the shortage of foreign exchange induced some industries to organize a central buying office or syndicate, as they term it. All needs of the members are screened through that office. Applications for import licenses are handled by that office. That system seems to assure an equitable distribution of imported materials and goods to the members. Moreover the setup serves to accelerate the issuance of import licenses in that the government only has to process one or two applications for many interests, rather than a multiplicity of applications.

It was also interesting to note that Denmark is developing a rather substantial trade with Russia. Prior to World War II Denmark had a big trade with England for her dairy products. It now appears that England is not in a position to pay the price for Danish butter, for instance, that Russia is paying. So most of the Danish butter for export is going to Russia. In exchange for that however, Denmark is procuring very badly needed coal from Poland. Denmark, of course, has no problem of reconstruction. She has the problem of replenishing her livestock. All in all, considering the size of the market, I think the outlook in Denmark is good.

In Holland, as I saw it, the outlook is not good. The destruction of property in the recent war was appalling. Farm lands were seri-

ously damaged, and the report was that it would require at least two years to recondition them. In the meantime, of course, there is no yield. Industrialists are exerting every effort to import raw materials, to start the wheels going again. But from my own experience I can say—and I am sorry to say this—that the bureaucracy that exists at the Hague is really staggering.

On top of all this the people are alarmed over the outcome in the East Indies. The general belief seemed to be that if Holland did not at least maintain a participating interest in the commerce and operation of the East Indies they had very little to look forward to in the future.

In entering Belgium from Holland a traveler becomes instantly aware of an amazing difference between those countries in all aspects of life. I became conscious of it while riding on the train from Amsterdam. Just as soon as you cross the Belgian border the waiter in the Pullman changes the menu. I won't indulge in any travelogues; I will stick to my promise. But I think it is symbolic of Belgium today. You can get a variety of foods on the same train. You can get wines and liquors, and I think including Schenleys. You get excellent cigars, and all in all that was Belgium.

Business conditions are good and trade is carried on with confidence and enthusiasm. The Belgian transportation system is intact. Belgium has coal and industry is operating. Right after liberation I was told that Belgium had put on a drive on imports for the purpose of arresting or using that as a preventive measure against inflated prices.

Merchants had goods to sell, and there is a general feeling of good will. During the war, of course, Belgium had its Congo, and with the foreign exchange that was thus made available she has been able to reach in rapid fashion her present way of living.

Most of my time in Italy was spent in Milano. The destruction there, as we all know from reports, was very extensive. I understand that 30% of the buildings and particularly of the factories in that city were destroyed. Italy should be a good market for such things as raw materials. But business is very spasmodic. The country is suffering from an acute shortage of steel and electric power. As a consequence factories are working on the average of two days a week. Plant operators would like to purchase raw materials from America in large quantities. But if they had them there would be no opportunity of utilizing them. The transportation system of the country is in very bad condition. Such circumstances, of course, retard the recovery and delay buying.

On the credit side I noted that the Italians seem to have an intense will to work, and that is particularly so in the Milano or industrial section. Unless Italy is successful in obtaining outside financial aid little progress will be made in her rehabilitation. And right now, as far as making any predictions on business, I would prefer not to do it. It is a questionable outlook.

In referring to business conditions in Switzerland I think it is only necessary to say that it is the one country in Europe where the American dollar loses its magic. That speaks for itself.

I observed a readiness in Switzerland to import from the States materials that were being produced domestically in that country, and apparently in sufficient quantity to take care of Swiss demands. This rather intrigued me, and I made a little investigation on that subject. It

appears that the Swiss are anxious to import from the States to supplement their own production, so that they may carry on an export trade. Of course, from any standpoint, as an American I am not interested in doing something indirectly if I can do it directly.

#### What Is the Business Outlook in France?

Judging from my experience the possibilities are good, notwithstanding the fact that since liberation France has suffered from inflation and from the fear of Communism, which has really stifled her incentive to forge ahead. When it is realized that France was almost bled white in World War I and was further devitalized by a long occupation in World War II, it shouldn't be surprising that her people do appear to be a little bewildered.

Maybe that accounts for the extraordinary happening in France of the progress Communism has made, not among the ranks of the industrial workers but among those who till the soil. Much criticism was heard in Europe of the French in not working hard enough to come back. But really, most of that criticism I heard came from the lips of Frenchmen in Paris. I think it is a good sign. And certainly I would not be inclined to criticize them for the same reason. Those who live in glass houses should not throw stones.

In the progress of carrying on activities in France I saw her factories work. I saw her people manifest a desire to improve their lot. And I don't think she is going to slide backwards.

#### Germany's Place in the European Economy

Some of my listeners might question the relevancy of including in this report any reference to Germany's place in the European economy. If this report is to convey to you some of the things that Europe is thinking about, and that is pertinent in estimating market possibilities, then I submit that it is proper to discuss Germany on this occasion.

In each country visited on my itinerary there was one topic that business men never failed to introduce, and that was the rehabilitation of Germany. Germany today, as we know, is a vacuum in the middle of Europe. Its prostration is affecting the economy of Western Europe. You will be interested to know that industrialists in Holland and Belgium, for instance, have attempted, at least on one occasion to my knowledge, to take joint action to explore the possibility of reviving certain industries in Germany. During my stay in Amsterdam in February I was informed by one individual that he had been appointed a member of a mission of Dutch and Belgian business men and industrialists to go to the English and Russian zones in Germany. Up to that time the trip had not been launched because the English and Russians had denied permission to enter their sectors. Do the Dutch and Belgians feel sorry for Germany? Do they wish to see her revive because of emotional reasons? That, of course, scarcely deserves an answer, particularly on the part of Holland, where, as I have said, the loss was of a most extensive nature.

The answer is that Germany has been the hinterland of Belgium and particularly of Holland. In battered Rotterdam the Dutch spoke of the power of the city as a port and the traffic it used to handle to and from Germany. The thought occurred to me that they were trying to project themselves into the future, to the day when they would resume that trade. And from a strictly commercial standpoint it is necessary. Certainly any emotions of man are subordinated to the demands of business.

Until Germany is in a position to act again as a supplier of raw materials and finished products, what

country will replace her? An acquaintance of mine in answering that question the other day suggested Russia. Along with several other millions of people, I know so little of Russia that certainly there is no way of evaluating what her possibilities are in replacing Germany. I do know, however, that Europe, Western Europe, is looking to the States to take up the slack. An opportunity is offered to the American producer now to create an identity, to lay a foundation for the future and to get his foot in the door. Right now anything American in the way of manufactured goods seems to have the admiration and respect of Western Europe. But time slips away and people get tired of waiting. Perhaps some day management will cease to look upon overseas trade as foreign and put it in its right perspective as merely an extension of our own domestic trade. I would urge American producers now to see what they could do in replacing Germany, not as a temporary measure, not to take up a slack, but for the future. There is no reason why, if we get that trade, it cannot be held.

#### Europe's Concern With America's Foreign Policy

There are two sides to every story. These comments so far have treated with a few impressions of Europe, and necessarily they must be very general. On the other hand, how does Europe look at us, particularly from a political standpoint? Discussing political matters I don't think is digressing. As businessmen we know that commercial prospects in any country can be measured by the political philosophy or stability of that country.

America is looked upon by Europe today as the most powerful nation in the world. In the early part of my trip European curiosity and concern were evidenced over the question of whether the United States intended to lead the world to stability and peace, or would stand aside while Communism engulfed Europe. The absence of a positive answer to that question up to the time of President Truman's utterance on the Greek-Turkey situation left Europe in a state of uncertainty. She knew the way she wished to travel but hesitated to go unescorted. She realized that as England withdrew from her former spheres of influence, only one of two nations could replace her. So she sat languidly and wondered. The effect of the President's speech was definite.

I was in Paris at the time and saw the reaction. Frenchmen who had appeared resigned to the lot of Communism just a few days previously looked at the future differently. In the course of their affairs business men no longer merely went through motions. There was a decidedly different tone to negotiations. Talk was heard now of creating new uses for old products, of building, of expanding. It appeared to me that the French had found a new anchorage in life.

I do not advocate giving the United States Treasury away, but I do subscribe to any foreign policy of our Government designed to stabilize world affairs and to protect the commerce of our country.

#### Conclusion

In conclusion, I would like to address a recommendation to American industry: At the time of my departure for Europe I contemplated the trip ahead not in terms of dollar sales to be made but in the nature of a mission, dedicated to the industrial rehabilitation of the Old World. At the end of the trip my gratification did not spring from the volume of business that had been procured, but from the realization that the flow of my company's products across the Atlantic meant a genuine contribution to the welfare of Europe. Only through production

can Europe wipe out inflation. Only through production can Europe rid itself of the evils of the black market. Only through production will its people cease being susceptible to overtures that are made to exploit misery.

My recommendation to American industry is to share, to some degree at least, its production with Europe, as a contribution to the restoration of that area and in the general interests of world peace.

## Reciprocal Trade—A Consistent Bi-Partisan Policy

(Continued from page 7)

portance to our welfare of the reciprocal trade agreements program.

I assume that you do not want me to review the objectives, method of operation or results of the trade agreements program, which have been covered fully in the course of these and previous hearings before this committee on each of the four occasions when the Trade Agreements Act was up for renewal. I am sure that this committee's interest lies in the present and the future, and also that you are concerned with the welfare of our economy as a whole. I should like, therefore, to acquaint you with my views as to the present significance of this Government's trade policies, both here and abroad.

During most of the past six years I have been overseas and have done quite a bit of traveling in Europe, the Middle East and the Far East, both during and since the war. I have seen the great destruction and dislocations that were caused by war. In Europe there is great need for food, equipment, and machinery that can principally be obtained from the United States. Furthermore, all over the world, and particularly in the underdeveloped areas of the world, there is need for American technical assistance and products of our industry.

Everywhere the people look to us with hope that we will continue along the same path we are now following in the reestablishment and development of the economic life of the world. They know that we, who have half the industrial production of the world, are the most important source of new capital, and these countries need our active cooperation. They have watched with encouragement the development of our international political policies and our strong support of the United Nations. They know that our participation in postwar international settlements is essential in the development of a just peace and in the protection of the interests of all.

#### A Consistent Trade Policy

They are encouraged by the fact that our international political policies have the support of the people of this country on a bipartisan basis. There is still considerable concern, however, as to where we stand on economic questions. Particularly, there is concern that we will not pursue a consistent policy of support to the expansion of world trade. They remember all too well what happened in this respect after the last war and during the depression after 1929.

They know they must sell goods in the United States if they are going to be able to pay for what they want to buy from us. They feel strongly about some American tariffs just as our traders feel strongly about some of the restrictions which they have placed on our trade in the form of tariffs and by way of import quotas, exchange controls, etc. Ever since the passage of the Reciprocal Trade Act, they have looked for the tariff concessions we were willing to make to them in exchange for equal concessions to us. In other words, the reciprocal trade program has come to be a symbol of full-fledged American participation in world trade.

Of course, there are many other factors which are of great impor-

tance in carrying out the program of world trade—factors associated with international loans, exchange rates, etc. — but the reciprocal trade program has come to be a symbol, and it is difficult to exaggerate its importance in our relations with the rest of the world. The Congress has approved this program four times, and only recently the authority of the President to negotiate modifications and concessions has been extended. We have been working under this authority and are now in a very crucial period of the negotiations which are taking place in Geneva. Questions have been raised as to whether Congress should not again review this program. It is only natural that this question should be raised, and I believe in facing the questions quite frankly. At this moment, however, I do want to emphasize that if there were to be a modification in the program it would be interpreted, whether rightly or wrongly, as a very major withdrawal on the part of the United States from the responsibility which we have necessarily assumed in working towards expanding and freeing world trade.

#### Problem of Tariff Revisions

It is true that many of the representatives of industry who appeared before the Committee for Reciprocity Information and before this Committee expressed concern over the possible difficulties they would meet if the U. S. tariffs were reduced on the commodities which they produce. However, I am told that no representative who appeared was able to show that the tariff reductions made in connection with former trade agreements had resulted in more than minor or temporary ill-effects of foreign competition. Nevertheless, the possibility of serious dislocation resulting from further tariff reductions will continue to be carefully watched in order to avoid, wherever possible, adverse effect upon American industry. No concessions will be made without a *quid pro quo*, and the agreements themselves will contain an escape clause enabling the Government at any time to step in and take appropriate action to protect any industry which is seriously threatened by the operation thereof.

On the other hand, organizations representing large segments of agriculture and industry made statements or filed briefs before the Committee for Reciprocity Information indicating that the need of exports for an important portion of their production was imperative if the industries were to be maintained at anything like their present capacity.

For example, the motion picture industry, with an output of over two billion dollars annually, has been receiving approximately 40% of its gross revenues from foreign markets; the machine tool industry whose production has declined from the wartime peak to a value of three hundred million dollars, may soon have an exportable surplus of 50% of its production; the aircraft industry exports almost 20% of its production, and the three billion dollar automotive industry almost 10% of its production. The electrical manufacturing industry, with a production of more than two and a quarter billion dollars, exports 5% of its production. There are many other

important industries, such as radio manufacturers, producers of cooking and heating appliances, farm equipment and business machines, which altogether account for billions of dollars of our national production, and are also heavily dependent upon export markets.

Furthermore, 40% to 50% of some of our agricultural products, such as cotton and tobacco, are normally marketed abroad; similarly, in the case of phosphate rock, gum resin and gum turpentine. Were it not for foreign markets, business in the South, with a total population of 40 millions, would be vitally affected and the South would become a poor market for suppliers from other parts of the U. S. The whole country would suffer. Then, also from other agricultural sections of the country, there enter into export substantial proportions of our production of rice, fresh and dried fruits, and canned foods. And I certainly need not remind you that we need foreign markets for our surplus wheat.

To sum up: Every American has a personal stake in the expansion of world trade. Exports provide directly about one out of every twelve jobs in the United States. Through increased sales, they help to keep down domestic prices they lower the unit cost of our mass-production industries. Our exports have been increasing, and it is desirable and necessary that they should continue to do so. There are continuing needs of foreign countries for larger quantities of our goods. At the same time, our great productive capacity can only be maintained and expanded if we can continue to export.

#### Must Buy More Abroad

As I said before, we must buy more from abroad to enable the world to continue to buy from us. Other countries must have dollars if they are to be able to pay for our exports to them. We supply them with dollars when we buy their products and services; also when our tourists and businessmen travel abroad, and, of course, when we make loans or gifts to them. We cannot indefinitely support our export trade through gifts and loans, although such assistance is quite justifiable during this postwar reconstruction period. The more we import, however, the more we shall be able to export.

We should buy more goods abroad for other reasons as well. I mean manufactured goods as well as essential raw materials. Many imports contribute to our standard of living, and others help us to conserve our domestic resources. I have in mind not only coffee, tin, cocoa, bananas and silk, which we do not produce at all, but also wool, furs, lead, copper, petroleum, and newsprint, of which our own production and supplies are inadequate. In brief, larger imports have become increasingly more essential to our industrial strength, to a high level of employment and prosperity, to a better standard of living, and to a better balanced system of trade relations with the rest of the world.

If we are to have such necessarily larger imports, we obviously must pursue a more liberal trade policy and, in proper cases, lower our tariffs. Under the trade agreements program, these reductions are made selectively, item by item, and only after careful study of the probable effects of each concession that is offered. Experience thus far with the trade agreements program indicates that our trade with countries with whom we have negotiated reciprocal trade agreements increased in total by a much larger percent than did our trade with non-agreement countries. There is every reason to believe that additional increases in both exports and imports will result from the continuation and expansion of this program.

## A Program for Debt Management

(Continued from first page)  
would provide for the Government's controlling and spending nearly 25% of the presently expanded national income of the United States. Even this huge budget makes no adequate provisions for reducing the national debt.

The country is now in the midst of a business boom, with a national income almost twice as high as before the war. This boom is supported by a huge accumulation of readily available funds as a result of war financing, coupled with a large deferred demand for goods, for houses, for machinery, and for all types of durable consumption goods. This combination creates the boom. We cannot expect the boom to continue indefinitely. Therefore, a budget which is barely balanced at a tax level which places a serious burden on all the people and on business is clearly a budget out of control, and the country's first task in any program of debt management is to reduce budget expenditures.

### II Reduce the Debt

We must begin at once to reduce the debt and so lessen its dangers. There is still another reason why we cannot risk continuing the debt at this high level: we can never tell when another National emergency may arise, and we don't want to be caught then with so large a debt.

Just how much the debt should be reduced each year and what statutory requirements should be adopted is a question now being debated before the Congress. A 1% retirement a year of the present debt would mean a retirement of \$2.6 billion, the amount which has been proposed by the present Senate.

The political pressure for spending and for tax reduction is so great that there is considerable merit in setting up a fixed statutory requirement for debt retirement. Another consideration is that the amount of debt retirement should somehow be related to the prosperity of the country, and in a good year we ought to retire more debt than in a year of depression. A heavy retirement of debt in time of prosperity would tend to check overexpansion and inflationary tendencies; contrariwise, a smaller retirement in times of adversity would relieve somewhat the burden of taxation and would aid a little the processes of recovery.

One interesting proposal is that Congress should set itself a definite goal of debt retirement in relation to the size of National income. Under any standards the present period of boom prosperity is one in which we ought to make a good beginning at debt retirement.

### III Distribute the Debt

The national debt is most dangerous when it is held by the banks, for in that form it adds to the money supply, and the money supply is the inflationary factor. If money exceeds goods it tends to force prices up. So in addition to making every effort to reduce the total amount of the debt, it is sound fiscal policy, especially in times of prosperity, to distribute as much as possible of the debt into the hands of investors other than banks, who will hold the debt securely out of the current stream of spending.

It was for this reason that the Treasury during the war adopted a policy of selling its bonds as widely as possible to individuals and corporate investors. Even before the war the sound policy was adopted of devising a savings bond that would be attractive to individuals of both large and small means, and selling these bonds to as many people as possible.

Thus a substantial part of the debt was widely distributed; but

more than that, the sale of bonds to all these people stirred a greater incentive to patriotic support of the war. It also gave these people a share in the affairs of their government, an interest which should prove of value in the support of sound financial policies. The United States has that many more shareholders. That is enormously important because it will aid the difficult task of getting and keeping the budget under control. Government spending is not something the President and government departments do. It is what the voters insist on getting from their government. The more the voters are also taxpayers and bondholders, the less will be the danger of unwise and excessive government spending.

These is still another persuasive reason why a wide distribution of government bonds in the hands of millions of people is a safeguard to the welfare of the nation. These savings bonds provide a cushion for use by these people in lean years, against depression or unemployment. While we have learned much about the business machine and are hopeful that its fluctuation can be reduced, we have hope rather than assurance, and we need to build every buffer that we can. Through the ownership of savings bonds the investor builds his own social security; a means by which he can meet the emergencies of unemployment, or sickness, or old age. It is good for the individual, and it is even more important for the country's well-being, because this spending in times of emergency will help keep the country's economic life on an even keel.

So the continued vigorous sale of savings bonds is sound policy, just as it was in time of war. It is one of the best ways the banker and the businessman can contribute to the wise management of the National debt.

In addition to the sale of savings bonds it is desirable for the Treasury to be constantly alert to the markets for Treasury long-term bonds. As fast as insurance companies, savings banks, trust accounts, and individuals have money which they are willing to put into long-term government bonds it is sound public policy for the Treasury to issue and sell quantities of these bonds adapted to the market. A continued wide distribution of such bonds is a far more important consideration than the slight rise in interest rates which may result from shifting government securities from banks to investors. To decide this question on the basis solely of interest saving would be a narrow and short-sighted point of view. The wide distribution of the debt is sound because it reduces the volume of inflationary money and reduces the floating debt which has to be refunded from year to year.

### IV

#### Reduce Wartime Taxes

At the end of each great war the National debt has seemed to the people of the day almost unbearable. In some countries and at some times the fear was justified, and the value of the currency collapsed. England and the United States have in the past borne their debts well, and the main reason is clear; the force of enterprise has been so powerful and the growth of production and income so rapid that they provided ample means to pay debt charges.

Today's debts are heavier absolutely and relatively, and we must summon to their payment our full resources of energy and ingenuity. This country has an enormous potential. Our heritage and tradition of private enterprise has developed powers of productivity never known before. Our problem is to release and stimulate these resources, for that is our one best hope to satisfy

this debt without serious damage. Also production provides the goods people can buy with their expanded money supply and helps restore the balance of money and goods.

It needs no clairvoyance to know that one of the greatest handicaps to productivity in the United States is taxes. Progress depends on the full blossoming of the energies of millions of leaders, on their extra exertion, their extra concentration. The present tax system penalizes extra effort—removes the incentive for going the extra mile. As a wartime measure high tax rates could not be avoided; in time of peace and facing our present tasks they are bad medicine and ought to be reduced promptly. The method of reduction should be such as to assure the leaders in our social order that extra effort will be worth while. This means particularly lowering individual surtaxes, for they are today a brake on incentive. Small business would be perhaps the greatest beneficiary of lower surtaxes, for small business is typically privately owned and dependent on ploughing back earnings into the business.

There may seem to be a certain contradiction in a program of reducing taxes at a time when debt reduction is so demanding. Once taxes are reduced they cannot easily be raised. Reduction will have to be done gradually and tuned to the swings of business and the budget. But above all it must be remembered that the objective is dynamics. If the reductions renew incentive, and stimulate enterprise they will largely pay for themselves. It was so in the '20s after World War I. Reductions of tax rates were followed by increasing tax yields.

There are of course other brakes on enterprise that need attention, but the tax brake is probably the most powerful and is surely the easiest to release.

### V

#### Unfreeze Interest Rates

Interest rates have two great economic functions which they cannot fulfill without some flexibility of movement.

One of these functions is the adjustment of the supply of savings to the amount required for a dynamic economy under capitalism. At the moment there appears to be a glut of money fed from the wartime stream of bank credit. But in the long run the price of money—the interest—is one of the factors to ensure a flow of needed saving.

The second and more immediate function of the interest rate is as one of the controllers of the flow of credit. In the old days booms were checked when money ran out—and the signal was a rise in money rates. Today this whole mechanism is dominated by the Central Bank and the Treasury in each country. But even Central Banks and Treasuries can't have their cake and eat it too; they can't exercise controls over excessive credit expansion and at the same time keep money dirt cheap for government borrowing.

If we are to avoid the great swings of the business cycle that do so much damage we can't afford to throw overboard the response money rates naturally make to over-extension of credit.

This is not necessarily an argument for higher money rates today. Credit control is a delicate function. It is a strong argument for avoiding commitments to a frozen rate pattern.

### VI

#### Improve the Quality of Government

With so large a debt and so many other functions that the people have today insisted on government's assuming the United States has a totally different gov-

ernment from a few years ago—in size—in the number of aspects of life it touches—in our dependence on Washington bureaus.

Therefore we cannot safely continue the kind of government we have had—with its red tape—its constant tendency to expand because executive pay depends on the number of subordinates. We can't afford to have bright young men without experience settling the most weighty questions. We must build better and pay better salaries in the middle ranges of government. This is true in the Treasury along with other government departments.

### Summary

These then are the essential things we must do as a nation in

the management of the debt: We must cut down the budget so that we stop increasing the debt and begin to pay it off. We must distribute the debt just as widely as possible into the hands of investors and so reduce the inflationary money supply that goes with a floating debt. We must take every possible step to preserve and to increase the dynamic energy of our economic life; for that will make the burden of the debt easier to bear and will maintain our American heritage of Freedom. This will mean reducing taxes, unfreezing interest rates, and improving the quality of government.

## Says Unbalance Within Price Level Is Real Cancer in Price Structure

(Continued from page 19)

1929, while total payrolls were \$8.9 billion greater than in 1923.

"While the cost of living is now 21% higher than in 1926, hourly earnings in manufacturing have more than doubled. Today's hourly rate is \$1.17 as compared with \$0.53 in 1926. Weekly earnings averaged nearly \$47 in February, 1947, or 88% more than in 1926. 'Real' earnings today thus are about a half greater than in the mid-20's, even after correction for price changes."

### Impact Upon National Product

One of the pillars supporting high-level activity has been "the continuation in dollar totals of an unprecedentedly high national income and gross national product. High dollar totals during the war and the accompanying high levels of savings were a direct product of the method of financing the war through debt creation. The subsequent continuation of money income close to the wartime peak was likewise a reflection of a similar inflation in the wage and cost structure stemming from the earlier additions to the monetary supply.

It is believed that we are currently operating close to the ceiling of our productive facilities. The Economic Report of the President states that "with maximum employment in 1947 . . . perhaps an over-all increase of 5% might be a reasonable objective for maximum production." Even the stimulus of higher prices contributed only a 2.2% rise in industrial production since decontrol first emerged last Summer. Whether further gains in physical output would occur under declining prices appears "highly problematical."

"Against this background of maximum utilization of current resources, any substantial reduction in the price level would mean a smaller rather than a larger output of dollars." Thus, a reduction of the price level to that prevailing in 1941, even with a 5% increase in production, would mean a gross national product of \$151 billion and a national income of \$129 billion.

"In addition," the analysis continues, "a substantial reduction in the price level might touch off a whole chain of downward reactions. Anticipation of lower prices may invite hand-to-mouth buying not only at the distributive level. It may also affect the commitments of purchasing agents in the initial stages of production, as well as behavior at the final stage of consumption by housewives and other groups."

### Governmental Revenues and Lower Prices

Declining prices, the analysis points out, imply lower governmental revenues from both direct and indirect taxation, while the relative weight of fixed commitments would rise sharply. "The current corporate tax rate of 38% would produce fewer dollars for

Federal use. By the same token, personal taxation on individual earnings from investment would be correspondingly reduced as dividend distributions become less. Tax returns from non-investors would depend on the course of employment and wage rates. Tax income from liquor, motion picture admissions, jewelry and other commodities and services would undoubtedly be lower.

### "Illusory" Benefits of Price and Wage Rates—Except for the Farmer

In discussing the situation of the farmers, the analysis states: "Although the benefits of price and wage rates have been illusory in terms of tangible benefits derived in many sectors of the economy, this cannot be said of the agricultural segment. The farmers have also been faced with rising costs, but these appear to have been more than compensated for by the increase in prices received by farmers. Prices received by farmers (index numbers: 1935-1939 as 100) were at 88 in 1939, while prices paid were at 97. The relationship as of 1946 was: prices received 217; prices paid, 162. Most of the increase in prices to consumers, moreover, was not intercepted on its way back to the farm. For a given basket of food, the farmer got 53 cents of the consumer's dollar in 1946, as against only 40 cents in 1935-1939. Distribution costs took proportionately less.

"Because of rising prices, larger production, better margins and a lowered ratio of prices paid to prices received, the realized net income of farm operators (excluding government payments) has risen from \$3.8 billion in 1939 to \$14.9 billion in 1946.

"Preliminary estimates for the first four months of 1947 indicate that farmers are doing even better this year."

## Swedish Trade Talks Proceeding Amicably

Special to THE FINANCIAL CHRONICLE

WASHINGTON, April 30—The U. S.-Swedish trade discussions at this writing are reported to be proceeding amicably, and should end soon after this is published. The Swedes are explaining why they had to violate the terms of their trade agreement with the U. S. A. in imposing import restrictions without notice. While it is now too late to do anything about this feature, the discussions are seeking to agree upon a transition period and rules to govern it and the subsequent period. The U. S. negotiators want an understanding as to the treatment of American goods vis-a-vis goods from countries with which Sweden has bilateral agreements.

The U. S. A. is only one of a number of countries which have complained at Sweden's import control action.

## Prices Widely Reduced Already

(Continued from page 18)

technological improvements and other factors making possible large volume output with steadily declining unit costs.

### Refraining From Price Rises

There were companies who stated that they could easily increase prices 10% or more with no criticism from customers, but they are not doing so. They consider this policy equivalent to voluntary price reduction. Numerous manufacturing concerns pointed out that where they have not increased prices they certainly cannot reduce them at this time.

### The Labor Obstacle

Second in importance is the "uncertainty as to future wage costs" which is tied in—of necessity—with the problem of material supplies and costs. About 58% of the returns on the questionnaire specified the uncertainty as to future wage costs as an important factor holding back lower price adjustments.

Third in importance is the matter of low labor efficiency which 43% of the returns indicated is a real obstacle to present price reductions. Therefore, it is clear that the principal problems of manufacturers in pricing their products today revolve around the enormous uncertainties of wage and material costs and labor efficiency.

Continuing with the factors itemized under question four, the matter of subnormal profit mar-

gins received considerable emphasis in one out of four cases—26%—as a distinct factor in preventing price reductions. We know that the records of the Bureau of Internal Revenue on corporation profits show that a large proportion of the nation's incorporated businesses are in the red even in good years, and therefore it is not surprising to find one out of four manufacturers concerned about subnormal profit margins. In these cases the aggregate profit may not be too small, but the risk of allowing unit profits to get too slim will often prevent downward readjustments in prices.

Only 6% of those who replied specified "runaway demand" as a reason for not lowering prices. This aspect of the problem includes situations in which the demand is so strong that if an individual manufacturer were to reduce his prices, it would mean no perceptible gain to the ultimate consumer because the competitor or middle man who failed to reduce his own prices would simply capture an extra profit.

A variety of other factors were named by 10% of the replies as having an important bearing upon the whole price reduction question. For example, taxes, tariffs, black markets, governmental policies, and certain unique circumstances were all blamed by one manufacturer or another as interfering with price reduction.

## Bullish Factors Accumulating!

(Continued from page 8)

35½ low and last. Anaconda looks very cheap here.)

April 13, 1938: Santa Fe RR. defers interest on Adjustment Bonds until net is determined. (Note: In July, 1938, Santa Fe RR. had sufficient profit to wipe out first six months' loss.) Currently, Santa Fe has earned nearly \$4 a share in first three months.)

April 26, 1938: Union accepts cut in Goodrich pay at Akron plants. — Wool wages being lowered. — Nearly all cotton mills have already adjusted wages downward.

July 1, 1938: Phelps Dodge raises price of copper ¼¢ to 9¼¢ a pound.

July 26, 1938: U. S. Gypsum 2nd quarter profit rises to \$1.13 per share vs. 46¢ in first quarter. (See item of March 2 above.)

Aug. 15, 1938: Steel rate over 40% first time in nine months.

Aug. 19, 1938: Home building spurt bolsters sales of building material. — Chain store and mail order sales, evidence uptrend. — Rayons start price rise.—Demand continues. — Sharp upturn indicated in fall film earnings.

The foregoing 1938 newspaper headlines about developments affecting security prices are particularly interesting when it is noted that the 1938 high for the Dow Jones Industrial Average was 158.41, reached in November, — or only about 10½ points under the present level.

The contrast between the conditions indicated then, and now, seems to me to adequately support the contention that today, stocks are about the cheapest things one's money can buy, based on what they give back in earnings, yield, and promise. Also, that this is the time for bargain hunters to become active, for the list is honeycombed with bargains not difficult to find. As one leading investment service points out, at today's prices, the earnings-yield on common stocks is higher in relation to bond yields than at any time in the last 20 years, or longer. Even at the low of the 1929 panic, and the low prices of 1937, the earnings-yield on common stocks actually, and in relation to bond yields as well, was smaller than it is today, though today we have not yet seen any downturn in the Federal Reserve Board Index of Production, or any clear evidence that a business recession of importance is in progress, or likely this year, especially in view of the growing likelihood that there will be no major interruptions to production in any of our big industries. Meanwhile, increased buying power, resulting from high wages, and from soon-to-be-enacted lower taxation, will make itself felt to relieve some of the pressure recently exerted on the merchandising field. — Railroad securities, also, will definitely reflect the high rate of uninterrupted activity in steel end motors.

## Garfield Raymond With Emanuel Deeltjen Co.

Garfield A. Raymond has become associated with Emanuel, Deeltjen & Co., 52 William Street, members of the New York Stock Exchange, as a registered representative. Mr. Raymond has been engaged in the securities field for the past 22 years and was recently with Reynolds & Co.

## With Whitney, Goadby Co.

Arthur D. Weekes, Jr., has become associated with the firm of H. N. Whitney, Goadby & Co., 49 Wall Street, New York City, members of the New York Stock Exchange.

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government securities markets are again confronted with uncertainties, resulting largely from the belief now that important developments are imminent. . . . The new method of handling subscriptions for Treasury bills, along with the levy to siphon off profits of the member banks, has created the impression that the way is being paved for the unpegging of short rates in the very near future. . . . This, along with the weekly redemption of bills, has brought about a cautious attitude toward Treasury issues, especially among the member banks, which will soon be feeling the effects of the credit restricting program. . . . Prices, however, continue to move in a narrow range on light volume. . . .

Nevertheless, the demand for the eligible issues has shown a tendency to deteriorate somewhat, with minor selling being done by some of the member banks, and dealers. . . . Also there are indications that bidding has been less vigorous for certain of the bank issues, which has been responsible in some measure for the price decline in the shorter and longest maturities. . . .

There is no doubt that the feeling is growing that the eligible obligations are in a vulnerable position. . . . The restricted obligations, by way of contrast, have been steady with a good undertone, because non-bank investors are still faced with the need of putting funds to work. . . .

### BIG QUESTION

The big question that appears to be confronting the monetary authorities as well as the government securities markets, is the duration of the recently initiated credit restrictions. . . . There is no doubt that the extent and the intensity with which the new policy will be carried out will depend upon the curing of maladjustments in the economic system particularly in commodity prices. . . .

This seems to indicate that the weekly redemption of Treasury bills, through the use of funds from war loan accounts, could be a temporary measure, for the primary purpose of bringing to an end the inflationary trend of commodity prices. . . .

This would seem to give a somewhat different complexion to the picture and it could have an important bearing on the market action of Treasury obligations. . . .

### WATCH COMMODITY PRICES

In light of these opinions, it seems as though the all important factor to watch in order to get clues on the probable trend of government securities is the movement of commodity prices. . . . Evidence is already appearing that the upward trend of certain commodities has about come to an end, with others noticeably on the decline. . . . Also there have been statements by authorities on commodity prices to the effect that the trend is quite likely to be downward in the near future. . . .

In view of what has already taken place in some prices along with predictions of the future trend, there is some question as to whether the credit restricting measures did not come somewhat late to cure a trend that may have already been reversed. . . .

While there is no doubt that the money managers are worried about inflationary trends, would they not be more concerned about deflationary tendencies (which may be developing) particularly in view of the fact that 1948 is an important election year? . . .

### NEW PRICE QUESTION?

The credit restricting measures, it seems, may bring about a new pattern of prices in the government market with opinions pretty much in agreement that the eligible issues could move down much more sharply than the ineligible obligations. . . . While the type of selling done by the commercial banks will determine the trend of prices of the eligible obligations, there could be acceleration of the movement through the liquidation of these securities by non-bank investors. . . .

If the insurance companies and savings banks should believe that the bank bonds were going lower, this could bring in liquidation of some of the issues that they hold, especially the longer-term obligations. . . . There could also be selling of the intermediate maturities. . . .

Non-bank investors are in a different position than the commercial banks because they will not be losing funds through the credit restriction program. . . . On the contrary, investable funds are piling up, and the channels into which they could be put have been narrowed. . . .

### MORTGAGES ON WANE

Mortgages are not coming through as expected because of the let-down in building and other securities that might have been considered, have either been postponed or are not suitable, at this time, because of the greater desire for more riskless obligations, pending clarification of the business situation. . . .

This seems to indicate that government securities will be in for buying, by non-bank investors, even though there could be weakness in the eligible obligations. . . . Certainly in the amounts that the bank-eligibles are sold by insurance companies and savings banks, they will replace them with restricted bonds. . . .

Also because of the investment problem that faces non-bank investors it is quite likely that they will be making new money purchases of the restricted issues, until there is an opening up of other investment media, particularly the mortgage market. . . .

### ANOTHER BAROMETER

While the trend of the market will be determined to a considerable extent by the action of the commercial banks, the amount of the decline in eligibles will probably be based upon the kind of issue sold. . . . If the member institutions should decide that the longer-terms can be bought back at lower prices, there will be some liquidation of these securities, despite the need for income. . . .

On the other hand, the shorts and intermediates might be disposed of, with not so much effect upon the general level of prices, unless there is selling by non-bank investors, which is a distinct possibility. . . .

It seems as though the government market is in a position where it must be watched very carefully because of the cross-currents that seem to be operating there now.

## A Plea for Broader Export Credits

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porters. It is claimed that the 16 foreign countries having government insurance have been able to bolster their foreign trade and that Canada has been doing much more exporting since the Export Credit Insurance Act became a law.

There is a bill before the Senate now proposing government insurance of exports. The authors of the bill contend that exporters, particularly smaller concerns, would benefit from the insurance by obtaining protection against loss by reason of non-payment by the foreign buyer or non-payment because of exchange restrictions.

There is considerable opposition to this bill. The Export-Import Bank, which is designated as the agency to handle the insurance, expressed the view that the need and actual demand for it is doubtful. The bank expressed the fear of a possibility of indiscriminate promotion of exports not justified by underlying credit and exchange conditions of foreign countries.

A survey of the attitude of American exporters to the proposed government insurance was made in 1944, jointly by the Foreign Credit Interchange Bureau and the Bankers' Association for Foreign Trade. About 600 questionnaires were distributed. The replies indicated that 193 felt that government export credit insurance is desirable and 131 that it is undesirable. As to government foreign exchange insurance, 231 considered the service desirable and 109 undesirable. A few hundred replies of course cannot be considered as a representative opinion of our export community which is estimated at 30,000, and a broader survey, particularly in the Middle West, should be undertaken to clarify the situation.

There is no abnormal risk in extending export credit. It is an established fact that foreign credit losses are lower than losses in domestic trade. A survey conducted by Dun and Bradstreet for 1941 and the 10 preceding years shows that losses amounted to two-fifths of 1%. The data was submitted by 514 concerns whose sales exceeded \$750,000,000.

The experience of most credit men in this area is in the domestic field. This may account to some degree for the reluctance to extend credit in foreign markets. It is important for our exporters to formulate a constructive credit policy since foreign trade cannot be conducted on a cash basis in a competitive market. Importers in foreign countries do not have the abundance of capital that we have in this country and the cost of financing is much higher than in the United States. Reasonable credit terms, consistent with safety, are therefore as essential in foreign trade as they are in domestic business.

While I do not recommend the extension of unwarranted credit as a means of obtaining business or to allow terms that would permit the use of the exporter's funds for purposes other than to finance the importation, I do feel that we must do our business on a business basis.

## World Bk. to Announce French and Danish Loans Together

Special to THE FINANCIAL CHRONICLE

WASHINGTON, April 30—The World Bank is expected to make simultaneous announcements of its loans to France and Denmark, in about a fortnight it is thought. It is understood that the amount of the loan to France will depend primarily on the wishes of the U. S. A. as expressed by the American representation on the bank. The National Advisory Committee is said to have indicated recently that it would not endorse the idea of the World Bank lending France more than half of the requested \$500,000,000 at this time. In the case of Denmark, also, the full \$50,000,000 requested is unlikely to be lent initially by the World Bank. Indeed, Denmark would not require the whole amount at once.

## Observations

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### Tax Rates vs. Tax Collections

Again Mr. Snyder justifies present taxes by the high income and employment ruling today. But he is here confusing the amount of tax collections with tax rates. Assuredly the amount of tax collections should be large in periods of high national income, but this should be a result of overall industrial activity and not of the imposition of high rates on the individual. Reductions of the confiscatory wartime tax rates may actually be followed by increases in tax yields (perhaps even beyond the present quintupling of the pre-war amount) through increased incentives and other resultant stimuli to active business, if the pattern which followed World War I is duplicated.

Combination of two other points made on this phase by the Treasury Chief leave him in the thoroughly anomalous position of successively claiming on the one hand that taxes should not be reduced because of the inflationary impact on our present high national income, and on the other hand because of his anticipation of a deflationary drop therein of \$8 billion next year.

### Stalling

Mr. Snyder adduced a number of other arguments to support his theme of delay, all of them seemingly adding up to stalling-on-the-grand-scale. ("If we cut taxes too soon we shall probably find it impossible to reverse our action. It will be time enough to cut taxes when it becomes clear that conditions call for such action.") The Secretary expresses alarm over the possibility that the reduction of one tax is unsound without "thorough study" and an overhauling of the entire tax structure at one fell swoop. But it is not apparent why we cannot have both; that is, a revision of confiscatory rates now; and later the scientific inclusive revision of the entire system. And when does the Administration feel that this millennium can occur? Only in 1948? In view of the deaf ear that the Roosevelt-Morgenthau Administration consistently turned to the same pleas for an over-all revamping of the tax structure whenever their unsound tax schemes, like the undistributed profits levy, were proposed, can there be confidence that this newly-alleged prerequisite to tax changes will be accomplished by the Truman-Snyder Administration at any time within the reasonable future?

Right after the First World War it was found feasible sharply to reduce tax rates. The highest surtax was lowered from 65% to 50% in 1921 and 40% in 1924, and despite the additional handicap of the quintupling of the government's expenditures compared to pre-war, the national debt was reduced by a billion a year. Under the professed philosophy of the Truman Administration, it is difficult to imagine that any reduction whatever in tax rates would have occurred between Wars One and Two.

Even hard pressed Britain has materially reduced the tax rates in various schedules and brackets, with the Exchequer Chancellor's explanation that "it is important that income tax should not stifle incentive."

Actually, there is no reason why here there cannot be a reduction of both tax rates and debt, irrespective of whether Mr. Hanes' estimate or any of the successive correct and incorrect ones put forth by President Truman be used. Even if, as the Treasury claims, the proposed cut in tax rates would entail a decrease of \$4½ billion in revenue, the debt could still be reduced.

### Snyder-Truman Inconsistencies

To support his aim for delay, Secretary Snyder says: "Under these favorable economic conditions [high employment and national income] present taxes do not impose an excessive hardship on the American people." But he overlooks the 100% inconsistency of this pronouncement with the economic gospel of Mr. Truman on the price front. Disregarding the public sophistry about "inflation" and "deflation" and dialectical twisting of their concepts, we may surely say that President Truman has been expounding the thesis that excessively high current prices putting things out of the reach of consumers will bring on a depression; and that this "gap" between production and consumption must be closed. But it seems that it is only satisfactory to the Administration if consumption is brought into line with production through reduction in industrial prices. It apparently is only profits and prices, not taxes, which "impose an excessive hardship on the American people." Conforming with this absurd position is Mr. Truman's pronouncement that current wage rises are a good thing; the professed net conclusion being that on the one hand the economy is in a most vulnerable position in which a deficit of purchasing power can be cured only by reducing prices or raising wages; but that, on the other hand, a reduction of burdensome taxes to relieve that same inadequacy of purchasing power is out of order.

Another example of this absurdly inconsistent position is furnished by the Truman-Eccles attitude toward instalment financing. Almost in the same breath in which the President has been worrying over the insufficiency of future buying power, he and his Reserve Board chief upbraid instalment selling as "private deficit financing" and insist on retaining the wartime restrictions to curtail buying-power which they here strangely profess to see as being disastrously inflationary.

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And so on with the screwily inconsistent "economics," which is explainable only on the ground of the political exigencies; on the encroachment of the power of the Charlie Michelson's on even the determination of the nation's economic policies. The alternative to our Democratic system, with these confusions and inefficiencies, apparently being tyrannical dictatorship, we will of course gladly keep what we have. But would it not seem possible for the Michelson's of both political parties to refrain from ghost-writing for the policy-makers at least until six months or so before Election Day?

## Expect Agricultural Price Drop!

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parity and the Halls of Congress would ring. Farm products are out of equilibrium even with this inflated economy.

### Farmers Favored

The farmers' income was at the annual rate of \$6 billions in the last quarter of 1939, and during the last quarter of last year ran at an annual rate of \$22 billions. Farmers are making 3.5 times as much income as in 1939. On the other hand, national income was \$771 billions in 1939, and during the last quarter of 1946 ran at the rate of \$173 billions or only 2.4 times 1939. On my last trip West I talked with a farmer who stated that during the year he had sold \$2,200,000 of produce and could have made money if it had been only \$800,000—and I spent 10 years trying to get away from a Kentucky farm in the conviction that it was uninteresting, unhealthful, unwholesome, unprofitable and exhausting.

Either this favoritism of fate must soon cease or more people will go into farming and spoil the show. The forces which pressed farm products to such lofty heights are either going into reverse or becoming relatively static. The great underlying force back of it all is the enormous increase in the money supply which rose from \$36 billions in 1939 to \$110 billions now. The money supply is defined as demand deposits adjusted plus currency in circulation. It is the most important single inflationary force since it represents money ready to be spent. Now, however, the great wartime inflation of money has ended. The money supply is still showing a tendency to increase but the rate of increase is petering out. For practical purposes it should be considered static from now on, although there will be some further increase in bank loans. Much depends upon a balanced governmental budget, and Federal Reserve Bank policy which is now deflationary at least in principle. At least the Federal Reserve has made some threatening gestures toward the big bully inflation. It has taken off its coat and started shadow boxing. About all we have seen is footwork, but it is hopeful. Probably the Treasury is holding on to its right arm and preventing the Federal from taking a good swing.

Any further increase which is ahead will affect the average person relatively little. The average person had income of \$540 in 1939 and will have about \$1,240 this year. He cannot look forward to very much more more. During the great expansion the dollar wealth of the average family was increasing and it felt good. From now on the dollar wealth of the average family will stand relatively still. During the period of expansion our tax structure distributed a greater proportion of the new money to the little man. He has as great an appetite for food as anyone, and with more money and since he constitutes most of the people it is no wonder that an extraordinary demand was focused upon food. The new money has been printed and given to the multitude. We are now in the age-old process of transferring the newly created wealth from weak hands to strong hands. It is the old theory that if \$10 was given to each of 100 men on a desert island that within a year 10 of the 100 men would have all of the money.

### Competition of Manufactured Goods

One of the most important factors which served to boost agricultural products, and which is going into a strong and fast reverse, is the unavailability of manufactured goods. Since the consumer-durable goods, such as

cars, refrigerators, houses, etc., were not being turned out during the war, the consumer's money had fewer places to go and an inordinate proportion of it was shunted into farm products. It is very different now, however, and the only question is one of timing. How long will it take for our truly enormous production of consumer durable goods to take enough of the consumer's money and pull a large part of the demand out from under farm products. It won't take long. Even in the basic steel industry only half the products are in short supply and new plant capacity is expected to cure these shortages soon. Steel inventory is unbalanced but the over-all picture is the normal three months' supply. We are producing steel at an 85-million-ton rate and consuming at a rate of 75 million tons.

The index of the production of physical goods has risen from 109 in 1939 to 192 last January. I remember that in 1939, when the Federal Reserve Board index of industrial production was at 109, some of us used to speculate about what the capacity of this country was to produce physical goods. Some of the more dreamy-eyed theorists contended that the country could produce enough, with the equipment it had then, to run the Federal Reserve Board index up to 160. It is now 192. We are really turning out the stuff, although some of the pipe lines to the consumer have not yet been filled. Pipe lines take a long time to fill. Whether the money supply shrinks or not, it is a fact that that part of the money supply available for agricultural products is sure to decline. Competition of consumer durable goods will eat into it.

Shortages of manpower, machinery and fertilizer on the farm and on farms all over the world handicapped production of farm goods and further tended to stimulate high prices. Farming was running forced draft and doing a magnificent production job, but not what it could have done with more men and tools. Another way of saying this is that not only was there a manpower shortage on the farm, but since there was a shortage of machinery and fertilizer the man-hour productivity of farm work was not what it might have been. Now we have had, and are continuing to have, a rapid reversal and farm products will be more easily produced in quantity as more tools are available.

So much for theory. What is going on in practice? In 1936 I was talking with a restaurateur. He stated there was going to be a depression because his receipts had fallen. He said that he had observed, and his father before him had observed, that restaurant sales were one of the most sensitive barometers because the first thing that people economize on is their stomachs. Sales of eating and drinking places are down 3% at the same time that sales of most other retail establishments are up an average of 15% over a year ago. It may be that restaurant sales were effected by food shortages for the housewife as recently as a year ago, but it is doubtful. Even if so, one must be convinced that the disparity is too wide and people are economizing on their stomachs.

### How Far Will Prices Decline?

Granting that agricultural prices must come down, the \$64 question still is—when and how far? As to when, the answer is any time now. It seems that the new farm product demand from Greece, Turkey, Korea and other places has delayed a break which would have come before now. Conceivably, other new demands could arise but it is not well to count on them. It is not believed that these demands can be large

enough to reverse the trend or prevent the trend from developing. Probably the British will ask us to take over in Germany. Congress will furnish foreign money but will be rigid as to how it is spent. Even so, one cannot foresee more than 1% of our national income going to agriculture for this purpose, and you recall that 4% more is going already than is right. Even if we get a surprise demand for \$1 or \$2 billion more of farm products, that is out of \$7 billions which is undeservedly being received already. We have been sending \$1 or \$2 billion of food abroad right along. The news of the day doesn't mean a new demand for farm products. It simply means we cannot stop sending food over as soon as was expected.

Don't count on a war with Russia. The sketchy information leads one to think that country is too poor and devastated to start a war. Czechoslovakia is now said to be independent because she stood up to Russia, and it is understood that the Czechoslovakian example has induced our own foreign policy. Scores of spot reports, which are inadequate in themselves but convincing when taken together, give confidence that there will be no war with Russia.

In an effort to determine how far down prices should go, about all one can do is to determine what equilibrium price should be in this economy. We know that when markets start down they do not always stop at their value points. They usually go above and below the equilibrium line. The organization with which I am connected believes that the equilibrium line for agricultural products is 25% to 30% below recent prices. There is no reason to think that agricultural prices will be permanently above equilibrium. The history of agriculture, like the history of most other American industries, is one of increasing productivity per man as the technology of production proceeds and the machine age bears more and more fruit. We are feeding more people than ever before, but the percentage of population on the farm today is only 22%, whereas it was 35% as recently as 1910.

### Equilibrium Price

The equilibrium price may be defined as the price which affords a fair return to the producer and discourages the entrance of excessive competition. It has been demonstrated that the farmer is receiving more than a fair return in relation to other members of our national family. That is the farm parity idea in reverse. The trouble with parity is that no person and no group of persons can possibly know enough to say what the right price is with enough certainty to justify the dangerous interference with economic laws. When I see the great increase in farm productivity I do not believe for a moment that the permanent equilibrium point for farm prices would mean a greater wartime rise than for the prices of manufactured goods. This indicates that agricultural products should drop at least 25 to 30%. That would still leave them almost 100% above prewar. I think that is conservative. It would not be surprising to see them drop more. Additional government aid should not be counted on.

Now that only 22% of the voters are farmers, the long-range outlook is for the farm bloc's power to be waning. Our farmer-labor government is gradually changing to something else. Labor is already beginning to receive its come-uppance.

Even with their comparatively modest rise, hard goods' prices are apt to decline also and place a double competitive strain on high-

saluting agricultural products. Most manufacturers are either reducing prices or wondering how soon they will have to.

Let me disclaim any superior special knowledge of agricultural products. I am not a specialist in them in any sense of the word. To me, specific agricultural products defy satisfactory analysis. There are too many hazards, both domestic and foreign. Much depends upon whether there are good crop years or not. I cannot even predict the weather and I am a sailor. New and old blights and plagues harass the farmer and the analyst constantly. Then, too, there are unpredictable changes even in the styles of eating.

Using only fundamentals and ignoring important special factors, equilibrium for the farm product price index is about 130 to 135 as compared to 183 now.

#### Summary and Conclusion

Agricultural prices no longer have a swelling money supply to bolster them. With rapidly increasing strength manufactured products are battling for a larger share of the consumer's dollar. This is at a time when more men and tools to produce crops are becoming available. Agricultural prices should drop closer to those of manufactured goods.

When the break comes it is apt to be as severe as the rise was unwholesome. It is apt to have many of the characteristics of historical declines in other markets. Those caught with goods at falling prices will scramble to unload. Failing in this, they will seek a scapegoat. Sometimes it will be the farmer, sometimes the processor, retailer, banker or government.

Farm land values will go with the prices of farm products. The farmer will spend more of his money for machinery as it becomes available. The farmer's cash position is not only good, it is wonderful. But in other industries we have seen the cash positions deteriorate at a fantastic rate when their booms were over. Loans made for carrying unnecessarily high inventory or for enabling a farmer to pyramid his land holdings are dangerous because their principle is unsound. Loans made to raise the man-hour productivity of the farmer or food processor are safer because they help raise the standard of living of all of us. The farmer deserving credit is the one who is trying to get his costs down.

## Business Man's Bookshelf

**Motor Memories**—A Saga of Whirling Gears—Eugene W. Lewis—Alfred, Publishers, Detroit, Mich.—Cloth—\$3.50.

**Small Business Aids**—How to Use Them—Compiled by Small Business Credit Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y.—Paper.

**Stepping Stones Towards the Future**—Arthur F. Burns—27th Annual Report of the National Bureau of Economic Research—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—Paper.

**Communists Within the Labor Movement**—The facts and countermeasures—Chamber of Commerce of the United States, Washington 6, D. C.—Paper—25¢ (lower price in quantity)—Deluxe edition 50¢ with reduction on quantity orders.

# The Outlook for Interest Rates

(Continued from page 12)

omists to purely psychological factors. Professor Fisher in his book on interest devotes chapter after chapter to them. It is not hard to see that the demand for loans and the supply of savings are rooted in the foresight or lack of foresight, the expectation of profit, or the desire for safety of individual investors. Habit alone—the prevailing view of what the rate of interest ought to be—seems to be a powerful influence in determining what the rate actually is.

If the "natural forces" which fix interest rates are mostly psychological, it would appear that these forces must be difficult to measure and even more difficult to predict. But there is one statement that can be made with a good deal of confidence. The proclivities of individual investors towards such matters as borrowing and saving are not likely to change overnight. Changes in habits of hoarding or spending cash are likely to occur only gradually and over a long period of time.

Meanwhile, the quantity of money and bank deposits (or if you prefer to follow the older economists, the quantity of savings) is a perfectly tangible factor, whose magnitude at any given moment can be known or estimated. And the demand for loans, while difficult to determine at a given instant, can also be measured over a period of months or years.

#### Cause of Present Rates

Thus if any one asks what is the fundamental cause of present low interest rates in this country, it is hardly necessary to look beyond the quantity of money and bank deposits in existence. That quantity (probably about \$170 billions at the end of 1946) is very great. It is about 2½ times as large as it was in December, 1940. No reasonable man can doubt that the rise in bank deposits has been a powerful factor in permitting the Treasury to finance a \$200-billion increase in the National debt at declining rates of interest.

One may readily concede to the champions of "natural forces" that the wartime increase in the money supply was artificially created. It was created, that is to say, by the acts of the government and its agencies, not by the acts of individual businessmen. The government provided a vast amount of bonds to buy; the Federal Reserve System supplied the commercial banks with an unfailing flow of reserves to buy them. The present structure of bank deposits is comparable to any other man-made structure, say the Hoover Dam or the Panama Canal. It was not there before, but it is there now. While it stands, it is just as real as the weather.

The short-term interest rate, of course, is still under the thumb of the Federal Reserve authorities, and has been for a great many years. Indeed, it is practically axiomatic that in any country with a central banking system, short-term rates will be regulated by the monetary authority. There is very little evidence, on the other hand, to suggest that long-term interest rates are being supported by the Federal Reserve System. The Reserve banks have not been active in the market for long-term bonds for several years. The proportion of such bonds (maturing over five years) in the Federal Reserve portfolio has dropped from over 50% in 1940 to about 2½% at the present time.

Although the Reserve Banks have not been buying long-term bonds, and now hold relatively few of such bonds available for sale, there can be no doubt that the government could act, if it

chose, to decrease the quantity of bank deposits and raise interest rates. Theoretically, the Reserve Banks could wipe out the reserve balances of member banks at any time by selling a few billion dollars of short-term securities. Such action, by forcing the banks to liquidate large quantities of government bonds, would undoubtedly have severe repercussions on long-term interest rates. It would also ruin the market for government bonds and produce a business convulsion of the first magnitude.

#### Federal Reserve Influence

As a practical proposition, we believe that the Federal Reserve banks are not in a position to do much about raising long-term interest rates at the present time. This viewpoint finds confirmation in a recent speech of Mr. Allan Sproul, President of the Federal Reserve Bank of New York, who remarked that "in my opinion, substantial changes in interest rates, affecting all maturities . . . are now impractical." The only change in existing policies advocated by Mr. Sproul, was "the defrosting of the presently frozen short-term rates on government securities." Such a change, as Mr. Sproul explained, would not necessarily imply any marked increase in short-term rates, but would simply mean that support of the short-term market should be left to the discretion of the Reserve Board, at rates that could be moved up as well as down.

It appears, therefore, that from now on the swollen volume of bank deposits will be reducible chiefly by debt retirement on the part of the government. Such retirement has been proceeding at a brisk pace in recent months. For the year ending in March, 1947, the total amount of government securities paid off in cash has amounted to about \$27.4 billions, roughly one-tenth of the national debt. The reduction in government-bond holdings of commercial banks, however, was probably not more than 55% to 60% of this figure.

As every investor knows, the debt-retirement program of 1946 was made possible by the Treasury's huge bank balances at the beginning of the period. As Treasury bonds and certificates came due, the Treasury simply drew down its balances and paid them off. The size of the Treasury's bank deposits—aside from deposits with the Federal Reserve Bank, which fluctuate widely from week to week in accordance with tax collections—has now been reduced to a normal working figure in the neighborhood of \$2½ billions. These existing balances can no longer make much of a dent in the debt.

It seems to us that, in 1947, funds that might be applied towards reducing bank-held government bonds (and bank deposits) will have to come from the following sources:

(1) A budgetary surplus, if it materializes. There is as yet no certainty that Congress will earmark any surplus funds for debt retirement in 1947. The amount could hardly exceed \$2 billions, at the best.

(2) The excess of cash receipts over budgetary charges. Income from Social Security taxes normally runs well above expenditures from the corresponding Trust funds; and there are several other items of expense that will not involve any important cash outgo in 1947. Surplus cash from these sources might amount to about \$3 billions.

(3) Net sales of savings-bonds to non-bank investors. The proceeds of these sales, which may be estimated at about \$1 billion, could be used to retire bank-held debt.

It would appear from these fig-

ures that during the remainder of 1947 the government may have at its disposal something like \$6 billions, available to pay off maturing bonds. It is quite unlikely, however, that all of the maturing bonds will be held by commercial banks; hence it is unlikely that bank deposits will drop (as a result of debt retirement) by as much as \$6 billions. Even if they should, the cut in the money supply would amount to only about 3½% of the combined cash and bank deposits outstanding.

#### Demand for Investible Funds

As was stated in an earlier paragraph, the demand for investible funds—while hard to calculate at a particular moment—can be measured over a period of time. That demand appears to have been very active during 1946. Flotations of corporate and municipal securities for new money apparently exceeded \$4.5 billions last year; while the increase in business and real estate loans of member banks was probably about \$7 billions. These two figures combined reflect a total demand for investment funds for business purposes in 1946 of about \$11.5 billions, as compared with a total of only \$3.7 billions in 1945.

Bank loans and security issues may continue to mount during 1947, but it is doubtful if the pace of the increase will be so rapid as it was in 1946. It is important to note that the energetic demand for investment funds in 1946—at a time when the money supply was dropping at least as fast as it is likely to drop in 1947—evoked only minor increases in interest rates. A comparison of the interest rates on various classes of securities, as tabulated in the Federal Reserve Bulletin, shows the following changes between December, 1945 and December, 1946:

Short-term interest rates (one year or less) rose about ¼ of 1%.

Medium-term rates (three to nine years) rose about 15/100ths of 1%.

Long-term interest rates, except for municipal bonds, were substantially unchanged.

#### Conclusion

The conclusion seems inescapable that unless there is a profound change in public psychology and the state of public confidence, only the most gradual rise in interest rates is to be expected over the next few years.

The persistence of relatively low interest rates would have important consequences for businessmen as well as investors.

It would necessarily involve a continuation of high prices for bonds and preferred stocks of investment quality.

It would carry a strong implication that common stock prices would fluctuate in range higher than that established during the 1930's. Other things being equal, a \$5 dividend is worth more to the recipient when the interest rate is 2½% than when the rate is 3½%.

Finally, continued low interest rates would help to stabilize industrial production at high levels by stimulating the use of venture capital for new enterprises.

The common fallacy that high interest rates encourage productive investment is based upon a regrettable confusion in the meaning of the word "investment" itself. Investment is generally thought of as the act of the lender; and from the standpoint of the lender, it is high, rather than low, interest rates that encourage investment. But it is the borrower, not the lender, who actually uses (invests) the money in new plant and new equipment. And from the standpoint of the borrower it is low, not high interest rates, that promote investment. It

is low interest rates that encourage the railroads to buy new rolling stock and the electric companies to build new power plants. In a famous simile, a drop in interest rates has been compared to a drop in the water level of some great inland sea. As the waters recede foot by foot, new lands for cultivation and new resources for exploitation are progressively brought to light.

This comparison was made, not by John Maynard Keynes, but by Robert Jacques Turgot, Baron de L'Aulne, Minister of Finance under Louis XVI.

## Presidential Aide Anticipates More Labor Trouble

(Continued from page 3)

measures are ineffective and work stoppages occur.

Dr. Clark called attention to the fact that in the President's "State of the Union" message of Jan. 6, 1947, the President was "more courageous." He then asked for immediate consideration of legislation which would settle, if possible, controversies of critical importance and which, if settlement failed, would provide methods to stop strikes and bring about continuance of essential services. Dr. Clark stated that the President had gone on to describe legislation which could be effective. Dr. Clark thinks that as time passes the public will be forced by events to re-read and study that part of the President's message reading as follows:

*The President, the Congress, and management and labor have a continuing responsibility to cooperate in seeking and finding the solution of these [management-labor] problems. I therefore recommend that the Commission be composed as follows: 12 to be chosen by the Congress from the members of both parties in the House and the Senate, and 8 representing the public, management, and labor, to be appointed by the President.*

*The Commission should be charged with investigating and making recommendations upon certain major subjects, among others:*

*First, the special and unique problem of Nation-wide strikes in vital industries affecting the public interest. In particular, the Commission should examine into the question of how to settle or prevent such strikes without endangering our general democratic freedoms.*

*Upon a proper solution of this problem may depend the whole industrial future of the United States. The paralyzing effects of a Nation-wide strike in such industries as transportation, coal, oil, steel, or communications can result in national disaster. We have been able to avoid such disaster, in recent years, only by the use of extraordinary war powers. All those powers will soon be gone. In their place there must be created an adequate system and effective machinery in these vital fields. This problem will require careful study and a bold approach but an approach consistent with the preservation of the rights of our people. The need is pressing. The Commission should give this its earliest attention.*

#### Resigns From Board

Frederick J. Winckler, member of the firm Shader-Winckler Co., Detroit investment house, announces his resignation from the Board of Directors of La Salle Wines & Champagne, Inc., effective April 1, 1947.

## Menace of Rising Federal Expenditures

(Continued from page 2)

hance purchasing power or increase employment of labor. Accomplishment of these results by government spending is possible only when the budget is out of balance and the money is raised by borrowing or directly issued in the greenback form. And then the effect is only superficial and temporary, and accompanied by inflation, whose baleful results more than neutralize any possible benefits of the spending.

As to control of the business cycle, the proposition, though vigorously advocated by some, has never been demonstrated theoretically, and the practical test which we gave it in the nineteen thirties was anything but confirmatory.

Government must spend money of course—and a great deal of money in these modern times—to pay the cost of performing its essential functions. When any such function is worth to the people what it costs, then, and only then, is government spending justified. There is no dispute about this sort of spending. But we are here considering the supposed additional benefits of spending as such—spending for the sake of spending. As to this I think there is no spending by government which is not inferior to free spending by private individuals and associations.

This is what we may call the negative side of the case. Let us glance (very briefly) at the positive side of the consequences of lavish government expenditure. This may be set forth under two principal heads.

In the first place freedom to spend huge sums of money gives to government an instrument which it may use to build up its power over the people. Government money may bribe the people to give up rights which they might never be persuaded to surrender by their votes.

To cite a single example, there has long been on foot a persistent campaign to bring American public education under some degree of domination by the federal government. Twenty-six years ago Dr. Nicholas Murray Butler, in his annual report as President of Columbia University, said:

"It is now proposed to bureaucratize and to bring into uniformity the educational system of the whole United States, while making the most solemn assurances that nothing of the kind is intended. The glory and the successes of education in the United States are due to its freedom, to its unevenness, to its reflection of the needs and ambitions and capacities of local communities, and to its being kept in close and constant touch with the people themselves. . . .

"For Americans now to accept oversight and direction of their tax-supported schools and colleges from Washington would mean that they had failed to learn one of the plainest and most weighty lessons of the war. . . .

"Once more to tap the federal treasury under the guise of aiding the states, and once more to establish an army of bureaucrats at Washington, and another army of inspectors roaming at large throughout the land, will not only fail to accomplish any permanent improvement in the education of our people, but it will assist in effecting so great a revolution in our American form of government as one day to endanger its perpetuity. . . ."

I incline to think that the great majority of the American people, if brought face-to-face with the question, would agree with President Butler. It would take a lot of argument to make them change their minds. But what argument cannot do, the lure of state aid, subsidies for education, loans to

hard-pressed educational institutions, might very possibly accomplish.

We have here just one of the examples of the way in which government spending may be used by those who seek Federal usurpation of the powers and obligations of the state and local governments and further regimentation of Federal power. Irresponsible power to spend public money may be very potent instrument in the attack upon the liberties of a free people.

But this is not the aspect of government spending to which I am directing your principal attention this morning. My present concern is rather with the fact that government spending necessitates either (1) a corresponding burden of taxation or (2) deficit and borrowing. There is no other choice. Let us consider first the second of these alternatives.

### Dangers of Deficit Financing

I am well aware, as of course you all are, that there is a school of thought that sees nothing disturbing in deficit financing and the accumulation of public debt. Apostles of this school have told us often in the past dozen years that, while the balanced budget may be all right now and then, we don't ever have to have it; that a national debt, however large and rapidly growing (one enthusiast said up to four trillion dollars) need not worry us; that the public debt is an addition to the nation's capital; and that really it isn't a debt anyway, since we owe it to ourselves. I am sure you will recall a lot more such nonsense.

I might pause here to refute this brand of theory. I might remind you of the inevitable consequences of reckless finance in the form of deficit, bankruptcy, default, paper money, inflation, fiscal and economic collapse. The pages of history are filled with the record. Without going back of our own memory, we can recall the collapse of German and Russian finance and the near collapse in France during and immediately after the first World War. Look about you today and see the fiscal and economic chaos of many nations due to inability to finance their government costs without deficits, inflation, and monetary debauch. Even we in America have not escaped such experiences, though in somewhat milder form.

I do not think we need to go further along this path. The deficit spending school, that was recently so vocal and so well entrenched in high places, is now, happily, more or less in eclipse. Public opinion today appears to be generally against deficit spending and in favor of the balanced budget. This includes most of our Congressional leaders—of both political parties—as well as the President and his administrative advisors. Apparently we no longer have to argue the case for the balanced budget.

The danger now is that, having seen the national budget on the way to be balanced, we may be tempted to settle back in the comfortable assurance that now our main problem of Federal revenue and expenditure is solved. But look at the figures. No sense of comfort should flow, I submit, from a national budget balanced, in time of peace, at the level of \$37½ billion dollars. And let no one think that this solves our budget problem. All it does is to bring us to the second aspect of lavish government spending; namely, heavy taxation.

Assuming agreement upon the balanced budget, the present charges against swollen government expenditure is that it necessitates an overwhelming burden of taxation.

Certain tax changes were made in the Revenue Act of 1945,—the

"quickie bill," so called—on the assumption that it was just the preliminary move in converting the tax system from war to peace. No further material tax reduction has taken place, and it is now proposed that for still another year of peace the nation shall continue to bear substantially the burden of war taxes.

### The 1948 Budget

The Budget for 1948 proposes total taxes, not including the employment taxes, of \$34¼ billion dollars. Thus, in the third year, after the end of the war, a tax load is proposed which is only \$8¼ billions less than the highest amount we endured in any war year; i.e., \$43 billions in 1945. In comparative terms, the tax load in the third year of peace is to be over 80% of a year's collection at the height of the war from which we have recently emerged. Our peace-time tax load is to be six times the highest amount collected in any one year of World War I (\$5.728 billion in 1920).

Such taxation is utterly unprecedented in time of peace. The proposed 1948 tax load is nearly seven times the amount collected in 1940, just before the war. It is more than seven times the amount raised in 1921, and nearly ten times the tax level of 1922, following the close of World War I.

Such a load of taxation cannot continue without serious effects upon our economy. To this audience demonstration of this proposition is not necessary. You know as well as I that taxation at this level does not merely lower the living standard of the nation. It discourages thrift and saving; it dries up investment and weakens the motives that lead men into business venture; it checks enterprise and slows down production; it retards economic progress.

Assuming the balanced budget, there is only one way to reduce taxation. That is to reduce government spending. Government spending must be controlled, both to preserve our Federal form of government and our free economy and to permit return to a safe and enduring level of peace-time taxation.

On this subject the Chamber of Commerce of the United States has taken a strong position. At its annual meeting a year ago it declared that curtailment of government expenditures is of "crucial importance," and that such curtailment is the key to the problems of lower taxes, reduced debt, and a stable fiscal system.

The Chamber urged that there should be abolition of all war activities and other government operations no longer needed, rapid reduction of the number of government employees and, until improvements in the fiscal position, deferment of any expensive new undertakings, even those of substantial merit.

The Federal budget for 1948 proposes government expenditures of \$37½ billion. It is this unprecedented sum, nearly twelve times the average annual expenditure of the national government in the decade following World War I (1922-31), that I propose to question.

Obviously no one—least of all I—is competent to say precisely what the Federal Government ought to spend in the year commencing next July 1. Those who have given expert thought to the subject are thinking in terms of \$20 to \$25 billions for a normal peace-time year. 1948, however, may perhaps be regarded as still in the transition period between war and peace.

Personally I believe that if all concerned were imbued with the will to do so, the Government's expenditures could be held down to \$25 billion in 1948. The Joint Committee of Congress on the

Legislative Budget has recommended a limit of \$31½ billion. In what follows you may consider that I am thinking of an expenditure level of about \$30 billion. This does not imply that we should not strive for a level closer to \$20 billions in the very near future.

Those who defend the present budget say that the whole \$37½ billions are needed, that any cut will force abandonment of government functions and impairment of the government services.

New, nobody wants to limit the government's spending power to the extent of preventing the performance of its essential functions. But I am certain that very substantial cuts could be made without producing any such result.

In the first place the Government now does a good many things that, in my opinion, could not qualify as essential functions. As a single example, I suggest a good share of the billion dollars that went in Federal aid to State and local governments in 1946. Careful scrutiny of the details of the Federal Government's expenditures would, I think, enable anyone to compile an impressive list of objects for which the Government spends money that are not essential Government functions. If curtailment of the authority to spend should lead to abandonment of some of these functions, well and good.

But let us not dwell upon this point. For, after all, it is the essential functions that present the main problem.

Why, I ask, must the Government spend as much as \$37½ billions in 1948? Presumably it was performing its essential functions in 1939, when it spent less than \$9 billions. We recognize that higher wages and salaries, higher prices of materials, and certain continuing obligations consequent upon war must inevitably lead to increased cost. But giving full recognition to these factors does not account for any such difference. We still ask: Why must it cost the Government in 1948 four times as much as in 1939 to perform its essential functions?

### Civilian Personnel

Again, I ask: Why must there be so many civilian employees in the Federal Government establishment? That there was a great increase during the war is of course understandable. To expect at least a roughly corresponding decrease after the war would seem reasonable.

The total number of Federal civilian personnel in August, 1945, excluding War Department personnel outside the U. S. was 2,915,977. By November, 1948, this number had been reduced to 2,132,422, a decrease of 783,555.

However, it is significant that between these dates the War and Navy Departments show a reduction of 1,079,709. That the total personnel declined considerably less than that is due to the fact that, in this same period, the old-line establishment (other than War Department, Navy Department, and emergency war agencies) increased their personnel by 296,154. In other words, while the war establishments were reducing personnel, more than a quarter of their reduction was neutralized by increases in the other establishments. In 15 months the total Federal personnel has declined by only 27%.

The latest figures on Federal personnel that I have are from a speech by Senator Byrd (in the Senate on Feb. 19, 1947). The total civilian personnel employed within the continental United States on Jan. 1, 1947, was 1,987,718. This means a decrease in the 17 months since August, 1945, of 928,259, or only 32%.

Going back to December, 1939, the Federal Government had 928,836 civilian employees; in December, 1932, the number was 563,805. Assuming that the Government

was performing its essential functions at these dates, we want to know why it now requires 3½ times as many employees as in 1932 and more than double the number employed in 1939.

Senator Byrd recently told the Senate (in the speech to which I have referred) that: "I sincerely believe that the civilian employment, beginning July 1, 1947, can be reduced to 1,600,000, and perhaps to 1,500,000, at a saving to the Public Treasury at the rate of \$2,500,000,000 a year on the basis of present employment, and nearly that much on the basis of Budget estimates."

No one would wish, by a nigardly control of money, to hamper the War and Navy Departments in the performance of their functions, so vitally essential to our national preservation. But when we are told that any cut in the appropriations for these services would necessitate curtailment of their functions, I think we are entitled to more light upon the way their money is spent. Why, I ask, must the personal maintenance of a member of the armed services (not including arms, ammunition, or the engines of war) be now, as estimated in the 1948 budget, 2½ times as much as it was in 1940 (\$3,100 in 1948 as compared with \$1,386 in 1940)?

The total average cost per man in 1945, including everything, was \$6,960. For 1948, the budget estimates \$6,790. We are entitled to ask how it is that in the third year of peace the average cost per man in the Army and Navy Department is to be only \$170 less than it was at the height of war?

Here perhaps may be part of the answer. In testifying before the Senate Military Affairs Committee, regarding the proposed unifications of the armed services, General Eisenhower is reported to have said: "Comparing the two opposing plans, I should say you could develop a more efficient fighting force with unification, with 75% of the men that you would have if you had separate forces."

In reply to a question by the Senator from South Dakota (Mr. Gurney) asking if he could give a reasonable guess as to the expenditures we might have saved during the past war had we had a unified Military Establishment, Secretary Patterson said, "No, except it ran into billions of dollars." General Marshall agreed with Secretary Patterson.

One of the things that stands out is the \$7.3 billion that veterans' benefits are costing annually, an average payment of \$300 for every war veteran. We are paying annually nearly a billion dollars in veterans' employment allowances, despite high level business activity and widespread labor shortages. Total readjustment benefits come to \$3.5 billion, while pensions come to \$2.5 billion. Whereas 18 months after the end of World War I, pensions for service-connected disabilities were being paid to about one out of 10 men wounded in action; in the same period after World War II pensions were being paid to nearly three times as many as were wounded in action—a thirty-fold increase in relation to the number of the wounded. Another factor is the heavy cost of hospitalization; yet more than two-thirds of the cases being treated in veterans' hospitals and homes represent non-service connected disabilities. I think we have a right to ask why this service has cost so much.

Interest on the public debt, up now to about \$5 billions a year, is one item that is fixed beyond revision, so long as the amount and the form of the public debt remain as they are. But why, after eliminating the British loan and interest on the public debt, should the essential government functions performed by the Treasury Department, cost ten times as

much in 1948 as in 1939 (from \$294.5 million to \$2,941.9 million)?

Why should there be in the same interval a six-fold increase in the cost of the essential functions of the Department of Commerce? Even if we eliminate the Civil Aeronautics Administration, which accounts for more than half of the total estimated expenditure of the department, the 1948 budget estimate is almost five times the amount spent in 1939.

Why must the essential functions performed by the Department of Labor cost seven times as much in 1948 as was expended in 1939. In fact, if we eliminate from the 1939 figure the cost of the Children's Bureau, which is no longer in this department, the increase is 20 times.

The estimated expenditures of the State Department for 1948 are 31 times what this department spent in 1939. In this case we have an immediate partial explanation in the estimated cost of UNRRA, United Nations participation and aid to Greece and Turkey. But eliminating all these services, we still have to ask why the remaining essential functions of the State Department must cost ten times as much in 1948 as in 1939.

Present law requires the Housing Expediter to wind up his affairs as of Dec. 31, 1947. For the six months of 1948 which are involved, he is asking an appropriation of \$914,500 for "special studies" in addition to \$340,000 requested for "technical tests." The special studies are to be carried on under contract with other agencies. This item has been approved by the Bureau of the Budget.

I have laid before you just a few examples out of the multitude of departments, bureaus and other government establishments where the facts loudly demand explanation of recent increases in expenditures. May I now refer to one more case, where there is at least flagrant lack of fiscal control by Congress and strong presumption of unnecessary and wasteful expenditure of public money. I refer to the government corporations.

#### Government Corporations

There are forty-odd government corporations, of which 28 are wholly owned by the Government. The budget message forecasts that by June 30, 1948, the financial statement of the wholly owned corporations will show them with total assets of about \$12.5 billion, represented mainly by loans receivable, lands, structures and equipment. They will show, however, total liabilities of about \$14.5 billion, representing mainly bonds, debentures and notes payable. They will have paid-in capital and surplus of about \$8.5 billion but an accumulated deficit of about \$10.5 billion.

The budget contemplates that the wholly owned corporations will have income next year of nearly \$1.5 billion, but expenses of nearly \$2.5 billion. These figures indicate the huge scale upon which government corporations have been operating, but do not reflect the power which has been given them to obligate directly the credit of the Government. Some estimates of this power run as high as \$30 billion. These huge operations have not yet been brought under adequate control by the Congress.

The initial capital of most of these corporations came from funds appropriated by Congress, but they have obtained money for their operations (generally in amount several times their capital) by borrowing either from the public or from the United States Treasury, in recent years from the Treasury. Their obligations are usually guaranteed as to principal and interest by the United States, and those in the hands of the public thus constitute a contingent public debt. They have been permitted to use as they saw fit the moneys re-

ceived by them from sale of their goods or properties or from repayment of loans made by them.

Some corporations, notably the Reconstruction Finance Corporation, have made large advances under authority of law to other government agencies, or have made non-recoverable expenditures. For instance, the Rural Electrification Administration obtains funds for loans by borrowing from the Reconstruction Finance Corporation. The Rural Electrification Administration in turn makes loans for the purpose of extending electrical service in rural districts. The loans by the Rural Electrification Administration may run for 35 years.

Capital funds of the corporations have been used for payment of subsidies which are obviously not recoverable. Eventually these expenditures must be written off and the notes of the corporation held by the Treasury must be canceled. This means a charge against taxpayers or an increase in the net debt of the United States. It is an indirect method of making an appropriation.

Many of the corporations have been chartered under state law and without specific authority of Congress. As practically all the corporations with state charters have been incorporated in jurisdictions which exercise little or no control over them, the powers of these agencies have been defined by persons directly interested in their operation. Consequently most of them are extremely broad.

They have thus found themselves cloaked with powers, granted by the chartering states, beyond anything that Congress contemplated, and some of them have apparently been able successfully to flaunt their state charters in defiance of efforts of the United States government to control their activities.

Under such conditions these corporations have been able to spend huge sums of money without appropriation by Congress, without financial accountability, without adequate reports, with their business operations conducted under the cloak of secrecy.

In 1945 Congress enacted the Government Corporations Act, which marked an important step toward bringing these corporations under budgetary and accounting control. These agencies are subject now to procedures of the Budget Bureau and the General Accounting Office. Last July there was enacted for the first time a "government corporations appropriations act," as one of the supply bills. It applied to 33 corporations and independent agencies.

The General Accounting Office has commenced the auditing of both wholly-owned government corporations and mixed-ownership corporations. Reports of a number of the corporations have been submitted to Congress, and more are in process. Opportunities for economy and efficiency are indicated. Reports are being made for each fiscal year. No wholly-owned government corporation created under the laws of any state, territory, possession, or the District of Columbia may continue after June 30, 1948, as an agency or instrumentality of the United States. Continuance of such corporations will depend upon reincorporation by Act of Congress. All wholly-owned corporations must make a showing prior to June 30, 1948, as to the need for continuance.

It should be obvious that, under conditions as they have existed, there has been ample opportunity for expenditure of money by these corporations far beyond what is required to support the essential functions of government; that wasteful and unnecessary expenditures have occurred can hardly be questioned. In pursuance of the act of 1945, many of these corporations are destined shortly to go out of business. As

the government succeeds under the legislation of 1945 in requiring proper accounting and exercising normal control, these corporations should certainly be able to perform such functions as are properly within their domain with far less expenditure of money than in the past. Here is one great opportunity for curtailment of unnecessary government undertakings and reduction of spending.

Senator Ferguson told the Senate on Feb. 24, 1947 that "if we are diligent and scrutinize the government corporation's budget as to expenditure, we can deduct a billion dollars from the budget."

#### Government Wastes

These facts which I have laid before you are merely a few samples from literally hundreds of such instances. They are, I believe, sufficient to establish strong presumption, if not absolute proof, that the 37½ billion dollars estimate of 1948 expenditures includes far more than would be required for an economical and efficient performance of the essential functions of the national government.

On this subject, Senator Homer Ferguson told the Senate, in the speech to which I have referred (Feb. 24, 1947), that: "As a member of the Senate War Investigating Committee I have seen countless examples of waste, bad judgment, and inefficiency, all of which inflated spending out of proportion to its actual benefit. I am not ready to be fooled into believing that the malpractices are only wartime mistakes, amplified by the need for speed. Some of them probably exist today, only in different forms."

Mr. Lindsay Warren, Comptroller General of the United States, has this to say: "Our Government is in a mess. . . We have developed an extravagant hodge-podge of duplications, inefficiencies, and inconsistencies. . . 75 different bureaus and agencies of the Government that have an important connection with transportation . . . public housing. . . at least 15 different agencies . . . 14 agencies dealing with forestry matters, and no less than 35 gathering statistics . . . 34 different agencies could acquire land . . . one-fifth of the entire land area of the United States is owned by the Government. . ."

I have obviously not been able to reduce my statement to a precise figure of the amount that might be cut without impairing essential government functions. But when we recall Senator Byrd's estimate of a possible saving of 2½ billions on salaries alone, and Senator Ferguson's conclusion that a billion could be gained from disposal of assets of the government corporations, and think of the departments and bureaus whose estimated expenditures for 1948 are five, ten, or twenty times what sufficed for the performance of their essential functions in 1939, it is hard to doubt the practicability of saving six billion dollars, or even, I venture to suggest, ten billions.

Can the Congress accomplish such a saving? As to this question we have new encouragement in the Legislative Reorganization Act, approved last August. The sections of this act relating to budget matters are among its most important.

Incidentally, the Chamber of Commerce of the United States has for several years been working hard for this reform, and the general plan as now enacted is in accord with the Chamber's recommendations.

Briefly, the act sets up a joint committee of all the members of the committees of the two houses dealing with appropriations and the raising of revenues. This joint committee is required to meet at the beginning of each regular session of Congress to consider the budget recommendations of the President.

Whereas heretofore the appro-

priating committees have approved bills without regard to prospective receipts, and the revenue-raising committees have paid little if any attention to appropriations, the new law requires joint study and consultation.

The joint committee of the House and Senate is directed to submit a report to the respective houses by February 15 of each year, with a recommendation for the maximum amount to be appropriated, together with a reserve for deficiencies. If the estimated receipts exceed the estimated expenditures, the report must contain a recommendation for the reduction of the public debt. If a deficit is in prospect there must be recommendation of an increase in the public debt.

Under the plan the submission of the committee report is intended to be followed by approval by the two houses of a concurrent resolution for the fixing of the aggregate total to be appropriated.

The law provides that no general appropriation bill shall be considered in either house unless printed committee reports and hearings have been available for at least three days. The committees on appropriations of the two houses are directed to develop, acting jointly, a standard appropriation classification schedule which will define in concise and uniform accounts the sub-totals of appropriations asked for by agencies in the executive branch of the government.

Reappropriation of unexpended balances of appropriations is prohibited hereafter except in connection with the completion of public works. The committees on appropriations are directed to make a study of existing permanent appropriations, with a view to their discontinuance where possible, and also a study of the disposition of funds resulting from the sale of government property or services by all departments and agencies, with a view to adoption of a uniform system of control of such funds.

The results of the joint committee findings, embodied in the concurrent resolution, express the opinion of Congress as to the overall ceilings on expenditures and appropriations. No procedure is prescribed for enforcing the provisions of the resolution as adopted finally by the two houses. It is presumed, however, that the appropriation committees will reduce the amounts of the several bills so that the total will not exceed the ceiling established. To this end more adequate staffs have been provided for appropriations committees, and greater technical skill is developing.

A concurrent resolution has not the force of law, and even if the ceiling were embodied in an act, Congress could amend, repeal, or ignore it. Thus, the enforcement of a ceiling provision will depend on public opinion and on the resistance of Congress to pressure from spending agencies and advocates of new or increased government activities.

The new legislation will facilitate this. The necessity for Congressional action on a budget ceiling for each fiscal year does much to compel Senators and Representatives to assume a responsibility which could easily be avoided under the old system. It gives opportunity to constituents to make known their opinions upon particular phases of expenditures while appropriation bills are pending. Heretofore the public, and for that matter, Congress, learned little concerning the proposals of the appropriation committees until about the time they were to be voted upon—usually too late for an effective registration of public sentiment.

The debate and struggle that will accompany each appropriation measure, bringing the realization to the Congress and to the public of the scope and detail of government spending, may well

prove to be one of the most significant accomplishments of the new procedure. The hope is that early in the regular session there will be developed a better perspective of the needs and possibilities of reductions or increases of expenditures, taxes or debt.

There is reason to believe that a more economy-conscious Congress will emerge from discussion of the budget ceiling; that there will be crystallization of sentiment away from unduly liberal spending.

Congress is at present operating under the Legislative Reorganization Act of 1946. The Joint Committee on the Legislative Budget recommended on Feb. 15, 1947, that the expenditures for the fiscal year 1948 be limited to \$31.5 billions—or \$6 billions less than proposed in the budget message.

A concurrent resolution approving this recommendation passed the House on Feb. 20.

The Senate amended the resolution March 3 to provide for expenditures not exceeding \$33 billion—\$4.5 billions less than proposed in the budget message—and also to provide that not less than \$2.6 billions of the excess of revenues over expenditures should be applied to reduction of the national debt and that all proceeds from disposal of surplus property should be so applied. These actions were based on estimated revenues of \$39.1 billions.

Conferees were appointed, but to date (April 30) have made no report.

Twelve major appropriation bills must be adopted before July 1, in addition to the District of Columbia and some supplemental and deficiency appropriations.

Only three of the general appropriation bills have thus far (April 30) passed the House and are awaiting consideration of the Senate Committee on Appropriations. They are the appropriation bill for the Treasury and Post Office, the appropriation bill for Labor and Federal Security and the appropriation bill for Interior Department.

For the activities covered in these bills, the appropriations estimated in the budget message were about \$6.1 billions. Those passed by the House were about a \$1.1 billion less.

These particular reductions in appropriations, if maintained in the Senate, will mean roughly an equivalent decrease in expenditures.

While substantial cuts may be expected in later bills, we are, thus far, a considerable distance from a reduction of \$5 or \$6 billions below the budget proposals. This indicates all the more need for continuous insistence upon pruning. It means that an alert and forceful public demand for economy is indispensable if a normal but liberal Federal budget of \$20-\$25 billions is to be attained in the near future, in order to permit of a simplified, strengthened and sustainable revenue system.

#### Achievement in Budgetary Procedure

However, thanks to the recently prescribed procedure, we have for the past three months been witnessing something unique in American public finance; that is, debate in Congress and public discussion in the press and elsewhere dealing simultaneously with both expenditures and revenues and giving attention to the overall total of expenditures in relation to the revenues necessary to accomplish a balance. This alone is a noteworthy achievement.

In recent weeks there has been a flood of letters and telegrams reflecting clearly the nationwide sentiment for as much of a cut in expenditures as is possible without infringing upon essential government services.

The sharp controversy provoked by differences as to the amount of possible reductions has been beneficial. (Continued on page 50)

## Menace of Rising Federal Expenditures

(Continued from page 49)

ficial. It has aroused widespread interest in proposed expenditures, tax cuts, and payment of debt, early in the session. Ample time still remains for careful consideration of appropriations.

More attention than in other years is certainly being given to the various money bills on the floors of the two Houses. To a greater extent than formerly, citizens appear to be interested and in a mood to hold members of Congress responsible for their votes on fiscal matters.

It was inevitable that there should be some confusion in the initial use of the new procedure under present circumstances. Many of the present difficulties involved in the fixing of a budget ceiling are attributable to a change in party control in the two Houses and in the pertinent committees, to the initiation of a new system, to major readjustments in the transition from war to peace, to the absence of a definite policy as to the future defense program and assistance sought for other nations. There has been less time for detailed study of the budget than should be the case hereafter.

The discussions, however, have brought to the front the particular expenditures on which there are the widest differences of opinion, such as national defense, veterans' benefits, international affairs and public works. They have focused attention on the swollen ranks of government employees and their cost. They have shed light upon many obscure, long-standing items of expenditure, and they have led to a greater disposition to re-examine continuing commitments for expensive activities.

There still remains much to be done before the battle for sound finance is won. Here are a few examples.

The aggregate of grants-in-aid to States and their subdivisions now accounts for an appreciable portion of Federal expenditures. Besides their costs, these grants have far-reaching government implications leading in instances to centralization of power and destruction of local initiative. Matched appropriations have encouraged development of ill-advised projects because part of the cost is met by the Federal Government. There is a curious pattern of methods for determining the bases of these matched appropriations, and the whole subject of grants-in-aid requires review. The same applies to subsidies.

In this connection it is noteworthy that refusal of Federal aid has been strongly registered by certain legislatures, governors and local organizations.

There is a particularly objectionable form of legislation which authorizes executive officers to bind the United States to make expenditures. An instance is that of the Housing Act of 1938, authorizing the housing authorities to make annual contributions to housing projects in an amount of \$28,000,000 a year for a period of 60 years. This is not an appropriation, but the Act declares that the "faith of the United States is solemnly pledged to the payment of all contributions contracted for." More extensive obligations were contained in the housing bill which passed the Senate in the last Congress and has been introduced in the present session to provide about \$150,000,000 a year for 45 years.

It is desirable that Congress develop a plan for keeping itself more currently informed regarding expenditures and contractual obligations. Cooperation between the Congress, with the increased staff now available to it, and the

General Accounting Office should develop a system of control to assure compliance with the intent of limitations in appropriations.

Further reform of Congressional procedures would help. For instance, a committee in either House having no relations to taxes or appropriations may authorize the establishment of a new activity costing hundreds of millions of dollars a year, and if the measure is passed by the Congress and approved by the President the appropriations committees are virtually helpless. It is true that the authorization provides no money, but the law creates the activity, and the appropriations committees are duly bound to recommend a proper sum. It has been urged that a legislative committee which proposes an authorization should be required to obtain from the Appropriation Committee of its House a statement of the effect of the measure upon the budgetary situation and incorporate that statement in its report upon the authorization before the measure is eligible for vote.

There should be careful examination of the proposal to concentrate the appropriation process into a narrower period of time. Senator Byrd has suggested that there be a single appropriation Act in place of a dozen or more separate measures. Certainly there is need for discouragement of the growing practice on the part of the executive agencies to defer sending estimates to Congress on many items until months after the budget is submitted. Such practice, as well as deficiency appropriations, with claims of "emergencies" and "unusual circumstances," have been commonplace and should be discouraged.

In conclusion, while our nation and our government have in the past withstood strong stresses and strains and weathered many storms, a new crisis in government finance of the most serious nature is threatening and may soon be encountered unless informed citizens and government authorities take effective steps to produce greater order, economy and efficiency in the towering structure of our Federal Government. The Government of the United States is the largest operation on the face of the globe, with enormous potentialities for good or harm. Here is a challenge to the thought and action of every patriotic American.

### Benjamin Bradley With Kenneth A. Ellis Co.

PHOENIX, ARIZ.—Benjamin R. Bradley has become associated with Kenneth A. Ellis and Co., Security Building. Mr. Bradley was formerly with H. C. Speer & Sons Co., in Chicago, for 16 years, and recently with a local investment firm.

### J. Arthur Reed Now With Hardy & Co.

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, announce that J. Arthur Reed, formerly a partner of Reed & Cutter, has become associated with the firm.

### With A. Lepper & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—William F. Kolb has been added to the staff of A. Lepper & Co., First National Bank Building, members of the Cincinnati Stock Exchange.

## Appraising the Stock Market

(Continued from page 6)

principal reasons were his courageous stand against John L. Lewis, his stern attitude with Russia and his choice of some excellent men to replace the misfits that he had inherited. He is anxious to increase his popularity and if he continues as he has done, business will benefit greatly thereby. His attempt to improve his political fortune, with his eye on 1948, will be an aid to business.

This nation is headed for several years of prosperity and the candidate who hopes to win must be in step with the times.

### Foreign Situation

When it comes to the foreign situation, I believe that there are more business men unnecessarily upset by Russia than anything else. The real sore spot is Germany, where in an area of ten thousand square miles (less than the size of the State of California) there are 67 million people without the means of supporting themselves. Their grainery in East Prussia has been taken away by the Poles and Russians and the wealth of the Saar by the French and we will not permit any industry that might be converted into war products. The surrounding nations are all clamoring for more of this territory and we are vainly trying to devise a way to help the Germans to become self supporting. That we shall be something of which I am sure. In the meantime, it is a challenge to our statesmanship. The rest of Europe will be much better off if they can get a good harvest. Last year's harvest was very disappointing, but there is great hope for this year.

Most people I find are upset by Russia and Stalin. There is nothing mysterious about Joseph Stalin. The cobbler's son, who by great courage, will power, ruthlessness, and amazing driving force has become the leader of 185 million people is very human and understandable, indeed. Of course he wants to get as much for Russia as he can. Russia has suffered terribly from the war and conditions are deplorable. Poverty, lack of food and housing are very serious problems for him to combat. But he knows just how far he can go and he also knows that Russia needs financial help from the United States.

I venture to predict that in the near future we shall see that General Marshall has made much more progress than was expected. Before they left for Russia, both Senators Vandenberg and Connally told me that they were not going to Moscow, as nothing was to be done there, but prepare the way for the next conference in London, where the peace treaties will be written. Secretary of State Marshall has succeeded in doing more than that, he has made Stalin realize that the time has come for a settlement. In diplomacy, there is always a lot more than meets the eye and what we do not see clearly at the present is the bright side of impending events.

Therefore, when we appraise the probable course of the stock market it would be well for the investor to keep in mind that the economic, political and foreign situations all have a bright star in their horizon.

### With Robt. F. McMaster Co.

(Special to THE FINANCIAL CHRONICLE)

GREENFIELD, IND.—William F. Wilson has joined the staff of Robert F. McMaster & Co., 135 South La Salle Street, Chicago, Ill.

## \$300 Million Illinois Bonus Bonds Marketed

Largest single piece of municipal financing ever undertaken being offered from yield of 0.70% to dollar price of 99.

Offering of \$300,000,000 State of Illinois Service Recognition Bonds Series A—the largest single piece of public financing other than Federal borrowing in history—was made April 30 by a group of 124 underwriters headed by The First National Bank of Chicago, Harris Trust & Savings Bank, The Northern Trust Company, Continental Illinois National Bank and Trust Company of Chicago, and Halsey, Stuart & Co. Inc.

The bonds are dated May 1, 1947 and mature \$12,500,000 annually from 1949 to 1972 inclusive, without option of prior payment. The 1949 to 1960 maturities carry a 1½% coupon rate while the 1961 to 1972 maturities are 1¼s. Bonds maturing from 1949 to 1966 are priced to yield from

.75% to 1.70%, according to maturity. The 1967 to 1972 maturities are being offered at dollar prices from 100 to 99.

These bonds are interest exempt, in the opinion of counsel, from all present Federal income taxes and are legal investment for savings banks and trust funds in New York, Illinois, Massachusetts, Connecticut and certain other states. They are the first part of an authorized issue of \$385,000,000 which was ratified by the Illinois electorate in November, 1946, and will, in the opinion of counsel, constitute full faith and credit obligations of the State of Illinois.

## How Can We Avoid a Recession?

(Continued from page 3)

erate and shortlived proportions, and store up enough experience to avoid a serious depression some few years hence.

A nation which, during the trials of war, was able to maintain economic stability, avoid excessive inflation, and maintain tremendous production, should certainly be able to make as good a record under the easier conditions of peace. Doubtless, we could continue this good record if we maintained the degree of Government controls and interventions which were found inescapable in wartime. But we as a people are quite properly unwilling to elect that course. We prefer some risk of recessions or depressions rather than the risks involved in excessive governmental interference with our traditional freedoms. It is well to prefer the first risk to the second, but we can get away with this preference only if we do not allow this first risk to become too great or hazard it too frequently.

Success in this task requires that private enterprise perform many of those stabilizing functions which the Government guided or controlled during the war. This means that private enterprise of its own accord needs to pursue those price-wage-profit policies which add up to a healthy and balanced economy.

The Government can make an important contribution by advising, from a nation-wide perspective, what adjustments will safeguard our economic health. Those who admit that the Government's advice is sound but who argue that businessmen, workers and farmers will not follow this advice voluntarily, or who criticize the Government for not having a specific program to execute this advice itself, are engaged in self-contradiction. While they extol the private enterprise system, they lack faith in its ability voluntarily to pursue a wise economic course.

Private enterprise, of its own free will, has recently been making peaceful wage adjustments of a moderate character which can help to keep buying power in line with a productive capacity which will expand constantly if we continue to make full use of our resources. It is reasonable to expect that private enterprise, of its own free will, can make price adjustments directed toward the same end, where profit margins permit and where the maintenance of high volume sales require.

Neither a satisfactory wage policy nor a satisfactory price policy means the same wages or the same prices in all industries or in all businesses. It simply means prompt and sensible adjustments to meet each particular situation.

There are obviously crucial spots in our economy where the

price level is still too high to comport with continued large-volume operations. One vital example is in the construction industry, where both residential building and business investment are threatened and already impeded by excessive pricing. In some industries where this excessive pricing persists, the organization of the industry is such as to facilitate systematic and orderly price reductions on a large enough scale to be significant. These should be made.

The price reductions already made are encouraging, but they do not measure up to what needs to be done.

It is a difficult feat of business engineering to accomplish price reductions without bringing on corresponding deflation in employment and production. But it can be done if reductions in wholesale and retail prices are carefully synchronized, and if the business and financial community accept sensible price reductions as a basis for optimism in going ahead rather than as an evil omen counseling reduced operations.

Price reductions may be a temporary inconvenience to those who make them, and may even cause some temporary shrinkage in profit margins. But if this is not translated into reduced operations, either through fear or in the speculative hope of still further price reductions, it will prove the wisest kind of investment in sustained prosperity and lead to larger profits in the long run.

This is the central test which now faces the American system of free enterprise. The successful outcome of this test will be immensely salutary for our domestic economy and correspondingly strengthen our position in world affairs.

### Pointer With Buckley

PHILADELPHIA, PA.—Leon R. Pointer has been appointed registered representative for Northwest Pennsylvania by Buckley Brothers, 1420 Walnut Street, members of the New York Stock Exchange and other Exchanges. Mr. Pointer has been engaged in the securities business in Erie, Pa., and vicinity for a number of years.

### Thomas E. Bates Rejoins B. C. Christopher & Co.

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—Thomas E. Bates has rejoined the staff of B. C. Christopher & Co., Board of Trade Building, members of the Chicago Stock Exchange. Mr. Bates has recently been with Uhlmann & Benjamin.

# Leadership—Obligation of Business Management

(Continued from page 10)

that we must somehow find ways of getting along better with one another. And yet, at a time when unity is our most critical need, we see a disposition on the part of many groups of human beings to challenge all other groups with proclamations of special and particular "rights"—very often insisting that they are fundamental human rights and, therefore, bound to be granted. We hear about the rights of management, the rights of labor, the rights of other groups. And on the world stage, we hear about the rights of nations.

We in America believe in certain "inalienable" rights—the right to life, liberty, and the pursuit of happiness. It is an article of faith with us that these rights belong to all men. In our opinion, these rights are sometimes suppressed or ignored, but they can never be taken away.

But we who so hotly defend our rights are apt to forget that there are obligations which always go with rights. Liberty is not license. Men and institutions in a democracy have a right to consider their own individual interests, to be sure. But they have an equal obligation to consider the interests of others. You and I have a right to drive an automobile—but not on the wrong side of the road. You and I have a right to publish advertisements—but not to make false claims against the public interest. You and I have a right to speak our minds—to say what we think—but we have an obligation to avoid damaging the reputations of others.

The truth of the matter is that our "rights" are really "privileges" granted by all of us to each one of us.

Freedom of speech is one of the privileges of free men, and we hold it very dear, but the American people certainly do not believe that the privilege gives American Communists a right to seek the overthrow of our Government.

Freedom of enterprise is another of the great privileges which Americans enjoy. More than anything else, it explains the position of the United States of America today. It is the foundation on which our immense achievements as a nation have been built. What has given us our high standard of living is our capacity to produce, and our productive capacity has its roots in the vigorous, competitive spirit which freedom of enterprise created.

## Obligations of Free Enterprise

The question which I think we might ask ourselves this evening is this:

"What are the obligations which go with this privilege of freedom of enterprise?"

To put it another way:

"What is the price which the American people expect us to pay for the rights and freedoms we enjoy in American industry?"

All of you will have answers of your own. Let me give you some which have occurred to me. My first would be this:

The American people expect us to show leadership in tackling the economic problems of our times.

We must accept the obligation of leadership primarily because if we do not do so, someone else will. And, in my opinion, there are no other qualified candidates for the job.

We dare not take this obligation lightly. We dare not overlook the dangers if we do not rise to this occasion. We must have public confidence. And the public judges us on what we accomplish—not in theoretical terms, but in terms of what Americans want out of life. Between 1936, for example, when things were not going well, and

this year, when things are going better, the number of Americans who think that the Government should own electric power companies dropped 30%.

When government steps into our affairs, we all resent it, but in a democracy, when people feel that things are not going right, they turn to government. Government "interference" is, to a considerable extent, an expression of public dissatisfaction. We Americans always want to "pass a law" to remedy whatever abuses we think exist. But just "passing laws" is not going to solve the problems we face today.

If our obligation as business leaders is to accept leadership in working toward the solution of the economic problems of our time, we ought to try to be clear as to what these problems are.

## Must Achieve Higher Living Standards

One of them, it seems to me, is achieving a steadily advancing standard of living in this country. It is true, for example, that Americans own 92% of all the bathtubs in the world. But it is also true that 21% of American homes still do not have running water and that 50% of our farm homes and 10% of all our homes still do not have electricity.

It is true that 60% of all the electric refrigerators in the world are found in American homes. But it is also true that nearly one-third of the 31,000,000 domestic and farm users of electricity have no electric refrigerators and that 40% do not have washing machines.

Americans brag about their air-conditioning and are proud of the fact that 2½ million homes have oil burners in their basements. But it is also a fact that 58% of American homes still do not have central heating equipment.

Our nation rides in millions of automobiles, but about 40% of American families do not have a car. Furthermore, about 2,800,000 adults in this country have had no formal education of any kind in spite of our great free educational system, and approximately 60% of all adults have gone no further in school than through the eighth grade. Less than 5% have gone through college.

There can be no question that the standard of living which we enjoy in this country has been created by freedom of enterprise. But it is still a statistical fact that 20% of all families in the United States earn less than \$1,000 a year, and 47% earn less than \$2,000 a year. And such incomes do not go far when things cost as much as they do today.

It is perfectly clear to me that if any system can create a higher standard of living it is only the democratic system which has already created the highest existing standard of living.

Perhaps for the very reason that the people of America have seen what business and industry have been able to accomplish in creating this standard of living, they believe that we are capable of finding an answer to other problems, too. They apparently believe that American business and industry can find an answer to problems like depressions and unstable employment. Certainly I think they expect us to make the attempt.

I do not for a moment underestimate the difficulties we face in tackling problems of this scope. We have seen people turn to government for answers, and the world is littered with their tragic failures. Nations have turned to government controls and to dictatorships in a desperate search

for security, and all that they have achieved is destitution, slavery and insecurity.

Because I believe with all my heart in the superiority of Democracy and human freedom over any other system, I believe that Democracy alone offers hope of finding honest solutions to such basic problems. Our freedom of enterprise may well depend on how successfully we point the way.

How it is to be done, I for one do not know. I do know that it will take the daring initiative that is the essence of leadership.

And in trying to point the way, we face one harsh and unyielding fact: It is *work*, and not theories of social responsibility, which is basic to the success of all of us. Programs which merely drain off the accumulated savings of earlier and more vigorous times without paying their way serve only to sap our country's strength. The real objective is to keep adding to the capital of mankind by increased production and distribution.

The result is what counts. And we are always brought back to the basic measuring stick of output per person compared to rate of pay—whether that person sits in an office or works at a machine. All of us will be better off when we can pay a man \$5 an hour because he produces \$5 worth of effort than when we try to pay him \$1.50 an hour for 75 cents worth of effort.

## Business in Partnership With People

Our second great obligation as businessmen, it seems to me, is to achieve a better sense of partnership with the American people.

A successful partnership depends upon mutual understanding. And there are a great many things about business and industry that the American people apparently do not understand.

Public opinion polls show, for example, that 60% of the American people think that corporations make 25% or more profit each year. The fact is that the actual profit margin of all manufacturing corporations in this country during the 15 years from 1925 to 1940 was 3.2% of total sales. Furthermore, 58% of all corporate statements during that period showed a loss, not a profit.

Surveys indicate that 75% of industry's employees think that stockholders and "top management" of corporations take more out of the business than employees do. Yet, a recent study showed that 72 large industrial companies in the country paid three cents out of every sales dollar in the form of dividends; plowed back 1.6 cents into the business, paid 25.2 cents to employees in salaries and wages; and paid 64.2 cents to other companies for materials, parts, services, supplies, etc. Taxes took the remaining six cents. Employees who think that they get less than shareholders and "top management" actually get almost six times as much as the amount paid to stockholders and the amount reinvested in the business.

As to the share paid to the men of "top management," if you add up all the compensation of officers of all corporations during the period from 1931 to 1941, it amounts to 2.3% of sales. Officers of large corporations—those with assets of \$50,000,000 or more—get only one-half of 1% of total income from sales.

No partnership can be expected to work very well in an atmosphere clouded by such misunderstandings.

If a better sense of partnership among the many groups which make up industrial democracy is to be achieved, we in management also have a job of understanding to do—particularly those of us in mass production industries.

Mass production is something more than a proven means toward goals of the future. To the large percentage of our fellow citizens

who work in industry, it is also a way of life, a day-to-day experience from which they must constantly draw a sense of satisfaction and personal accomplishment. If work under the conditions created by mass production is to give people this feeling of time and effort well spent, they need to know that their part—however small it may be—is an important part in the scheme of things.

## Understand What People Want From Their Jobs

So it seems to me that one of our obligations is to understand just what the things are that people want from their jobs in order to make their daily effort seem worth while.

In the field of selling we have shown great skill in finding out what people want. We have learned the economic advantage of determining what products will sell readily and in large volume. It is apparent that we have not done nearly so good a job in finding out what it is that men and women in industry want from their jobs—what they consider the essential ingredients of a satisfactory way of life under the conditions of modern industrial society.

We recently sent out a questionnaire to everyone who works for the Ford Motor Co. More than 22,000 of our people took the trouble to fill out the questionnaire. They had some very interesting things to say.

39% of them feel that the policies of our company have never been explained to them. More than one-third have the impression that no effort is being made to make them feel a part of the Ford Motor Co. More than half of them think that there should be some systematic way by which they could make their views known directly to us. 62% think that questionnaires and polls of this kind are a good thing because they give them a chance to express their views.

These attitudes exist in spite of the fact that an overwhelming majority of our employees think that our products—the cars and trucks they have a hand in making—are as good or better values than the products of our competitors. They exist in spite of the fact that more than half of our employees say that they feel free to talk to their immediate superiors whenever they want to about themselves and their jobs.

In short, while our productive techniques have met gigantic needs, they have also created problems. Mass production has given us a high standard of living, but it has very materially changed the relationships between a man and his job, between employer and employee, between management and labor. The old relationship between an employer and a group of employees he knew intimately does not exist for millions of men and women. Because the factory worker is a specialist, he no longer has the kind of satisfaction which a craftsman building a complete machine might enjoy.

It now seems clear that we have not kept the development of our human relations in industry in pace with the development of our production technology. Perhaps for every dollar we spent in scientific research for the development of better products and more efficient machines, we should have spent another dollar in research into the problems of people in industry.

To increase production efficiency, American businessmen invest billions of dollars annually in new plants, improved tools, better equipment and methods. During the last quarter of 1946 such expenditures were being made at the rate of 14 billion dollars a year. To bring our customers new and constantly better products, almost 2% of total industry sales have

been spent for long-range, scientific research and experimentation.

Large outlays of this kind are farsighted and necessary. They are insurance on the life of any company. But to insure our right to freedom of enterprise we may now be facing an obligation to carry this kind of long-range research and experimentation into still other fields.

## Summary

Let me summarize:

The rights which we all enjoy in the United States carry obligations with them. The greater the right we assert, the greater obligation we incur.

We pay for our rights continually by meeting our obligations, and when we stop paying we run the risk of losing our rights.

With the right to freedom of enterprise, Americans have fulfilled the obligation of making our country incomparably strong and prosperous. But our rights as businessmen may well depend upon our ability to continue to meet the problems of our great industrial democracy.

We have the obligation to work toward a better sense of partnership among all groups in our industrial democracy. We face the obligation to take leadership in tackling the economic problems of our times, to acknowledge our mistakes, and to keep on trying.

All other groups in our industrial democracy also have obligations. Unless labor unions and their spokesmen can live up to their responsibilities they, too, risk curtailment or loss of rights. The American people as a whole have obligations. We of industry are partners with the people, and people have an obligation to be intelligent and understanding about their partners.

But a key responsibility is ours—an obligation of American business management. The American people expect us to manage. They look to us for leadership. They are more interested in the results we achieve than in the details of our business and in the difficulties we have to overcome. And we must accept the task of promoting better understanding between the groups of people who share the responsibility for achievement with us.

There are many problems ahead that we would all like to see solved, and the obligation of American business to demonstrate leadership in their solution is heavy. I have little doubt that if our free American industry devotes its traditional enterprise and energy to meeting this obligation, the people of the United States, working together, can continue to set a pattern of life under human freedom for the whole world to follow.

## With Atwill & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Albert G. Rich has become associated with Atwill & Co., 605 Lincoln Road. Mr. Rich was formerly with the Ajax Corporation and Blair F. Claybaugh & Co.

## With A. G. Becker & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Burton L. Shender has been added to the staff of A. G. Becker & Co., Inc., 120 South La Salle Street, members of the Chicago Stock Exchange.

## H. M. Byllesby Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Thomas J. Welsh, formerly with Betts, Borland & Co., has become connected with H. M. Byllesby and Company, Inc., 135 South La Salle Street.

## With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—William D. Davidson has joined the staff of Bache & Co., 21 Congress Street.

## Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market getting ready to start a new rally or another decline. Both possibilities indicated in recent action.

Last week I gave up a lot of white space in describing one day's market action. In that one day I thought I saw the beginning of the end of the decline and pointed a gleeful finger at it.

During the past few days I have had little to do except wonder about many things. Main reason for this enforced idleness is a small-pox vaccination which started out as a little abrasion and now has the arm feeling like an elephant's trunk. A mere nothing, says my doctor. A perfectly normal reaction.

Perfectly normal, my foot. It's as normal as one of those ten point breaks we see described by stock market letter writers as a "healthy, normal reaction." Try giving that explanation to a man who bought them just before the reaction.

That's the way I feel about that vaccination. Besides with everybody taking a shot, I don't know anybody who could give me the disease. I tried that argument on the doctor. He didn't find it amusing, or bother to reply. He just grunted.

Anyway I'm now home, with lumps in the armpit and raging fever. At least I'm sure it's a raging fever even though my doctor doesn't agree. So I'm busy thinking about the stock market, which is a lucky thing for you. Now you can lose with the assurance that the subsequent advice came after due and careful deliberation and not the result of any snap judgment. It has just occurred to me that perhaps snap judgment might be better. Oh, well.

When the market stopped going down it took on an appearance I haven't seen in a long time. Nothing that has happened in the subsequent days, up to the present, has changed that. Yet, looking at the market for the past few months and adding the action of the past few days, a certain doubt arises.

There's nothing unusual about a market that stops going down. They all do that at some time or another. It is the subsequent recovery and the subsequent decline that is important.

The rally from the recent lows was nothing to boast about. At best it was a half-hearted recovery that left much to be desired. The burden of proof is therefore thrown on the decline. A reaction from present or approximate levels should not not be alarming, provided it doesn't exceed certain levels. I'm not going to work out the levels in terms of the averages because you don't buy the averages. I'll give them to you in terms of stocks.

If the underlying reasons which caused the recent break have been dissipated, then a period of dullness with some minor set-back—even a minor rally—is indicated. Stocks should stay above their recent lows, or at worst, not go under them by more than a point or so. If stocks do sell under those levels the chances are that whatever caused the recent break has not been dissipated. Actually trading under such conditions has many advantages. For if stocks are bought during such a phase of the market cycle, the subsequent profits can be very gratifying. If bought, and they get under pre-determined levels, there will be losses. These, however, shouldn't be unduly large. Besides it must be clearly understood that every time an opportunity for profits arise there are compensating chances that the possibility for losses will be at least as great.

The only thing to do under such conditions, assuming one want to do anything at all, is to put buying orders in at certain prices, not forgetting stops. Procedure should be

completely impersonal, in fact all market trading should be on that basis. Market has no room for sentiment, hopes and fears. Just because you are long of a stock doesn't make it a blue chip.

Summing it all up it appears as if the market is either forming a new base for a real advance or is getting ready for another decline. If we wait for more definite information, we'll probably miss the boat. So here is what I suggest:

Buy Anaconda at 35 with a stop at 34; Chrysler at 85, stop 83; General Motors at 55, stop 53; U. S. Steel between 65-66, stop 64 and International Paper 39-40, stop at 38.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

## Harriman Ripley Offers Fairbanks Morse Debs.

Harriman Ripley & Co., Inc. and associates are offering publicly today \$17,500,000 Fairbanks, Morse & Co. 20-year 2 3/4% debentures, due May 1, 1967, and \$2,500,000 of the company's serial debentures, due \$500,000 each May 1, 1948 to 1952, inclusive.

The 2 3/4% 20-year debentures are offered at a price of 100% and accrued interest while the serial debentures, bearing interest ranging from 1.15% to 1.80%, according to maturity, are also priced at 100% and accrued interest.

Of the net proceeds, Fairbanks, Morse will use \$7,000,000 to retire outstanding bank loans with three Chicago banks; \$6,200,000 to complete major extensions of its property; and the balance for general corporate purposes.

The 20-year debentures are initially redeemable at the option of the company at 103% and are also initially redeemable through operation of the sinking fund at 101% with successive reductions in each price after May 1, 1952.

The serial debentures are subject to redemption at the principal amount thereof and accrued interest to the date of the redemption plus a premium of 1/8 of 1% of said principal amount for each 12-month period or part thereof between the date of redemption and the maturity date of the serial debentures to be redeemed.

The company's outstanding capitalization following completion of the sale will comprise the \$17,500,000 new 20-year debentures, the \$2,500,000 new serial debentures and 599,595 shares of common stock without par value.

The company has agreed to make application to list the 20-year debentures on the New York Stock Exchange.

The company and its subsidiaries are principally engaged in the manufacture and sale of diesel and other internal combustion engines, diesel locomotives, scales, electric motors, generators and magnetos; pumps and auxiliary pump equipment; railroad equipment, and home and farm appliances. Company's consolidated net profit for 1946 totaled \$3,079,135 compared with \$2,600,625 in 1945. Net sales last year aggregated \$56,551,299 against \$91,826,901 in the preceding year.

## Banish Pomp From Financial Advertising

(Continued from page 14)

chen. The name Gimbel on your waffle iron stands for dignity and reserve."

That kind of talking down the nose that you financial advertisers do, always brings up a picture in my mind of a haughty dowager about to sneeze.

One bank advertises "Loans for Executives" down to \$100. I wouldn't give much for an executive who had to borrow that little and pay it back in a year—and neither would you. The old snob appeal—as Ring Lardner would say, "The duchess looking at bedbugs." A guy needs \$100 and they kick him in the face because he isn't an executive.

Being an old English teacher, I detest pompous and polysyllable writing—the old florid lingo filled with dusty, dry, decrepit words of Latin derivation—tired words with all the color drained out of them. Reminds me of that awful sign which we saw plastered on all premises during the war, "Illumination is required to be extinguished on these premises"—instead of "Put out the lights!"

As I rifled through these pious pronouncements—it seemed to me that even a headline like this one would be better: "Nobody but nobody has crisper, greener, more crackling folding money than the North River Savings Bank."

The Bowery Savings Bank actually said this—honest, I'm not making it up. "We're here to serve savers and to further thrift." Can you visualize Mrs. Peebles, running to Mr. Peebles, as he gets home that night, grabbing him by the lapels and saying: "Oh, George, we must transfer our account to the Bowery Savings Bank. Do you know that they serve savers and further thrift?"

I have re-written a couple of Gimbel ads, a la financial advertising. A week or so ago Gimbel's sold over \$30,000 worth of suits from a suit ad. How would you like it if the ad had appeared in this fashion?

"More Apparel Value for You"

"You are invited to present yourself in our Suit Department to give your consideration to an offering which is exclusive with this firm. This invitation is extended by Gimbel Brothers, a corporation which, for well over a century, has helped to make American industry the strongest and most progressive in the world. This corporation works very closely with many of the nation's leading suit manufacturers and fabric establishments in providing the kind of apparel that American women require. This significant offering emphasizes the responsibility we always feel to merit the continuing confidence and trust of our vast number of customers in this cherished community. You are invited to discuss your suit requirements with our representatives who are always available for consultation in our suit department. No obligation, and, of course, no charge for investigation."

"Remember—I'm not exaggerating—I swear that every syllable that I have been using today has been culled from your bank ads that have run within the past few weeks.

I wonder if the Gimbel's housewares department, which has jumped from a volume of less than \$1 million to over \$5 million in the last few years, would have done it if the ads had been written in your bank phraseology, such as this one, for instance:

"Your Housekeeping Needs Are Highly Diversified"

"Recognition, by the executive of this establishment, that your kitchen is different, explains the

unique philosophy of Gimbel Brothers and the flexibility of our facilities in our Housewares Departments. These facilities include every type of merchandise from recognized vendors. Your housewares department is your good friend. We all say, 'Thanks for your co-operation.'

"Business in these departments, like business throughout this establishment, will be transacted daily until 6 p.m. and Mondays and Thursdays until 9 p.m."

Of course you people here today do not like this kind of pompous copy any more than I do. It's the heavy hand of the heavy head of the heavy institution that's responsible. Every president ought to be kept out of the advertising. God just doesn't give all talents to any one person. The type of talent that it takes to climb to the presidency of a bank or any other business just isn't congruous with the fresh, un-hackneyed "what-the-hell abandon" that good writing requires. That's why writers never become presidents or chairmen of the board.

I recently saw a dedication of a book with a rather unusual twist. On the flyleaf the author had written: "To my wife, without whose absence this could not have been written."

It's up to you financial writers to be able to say "Here's to our presidents, without whose absence this bright, fresh financial advertising copy could not have been written."

## Morgan Stanley Places du Pont Pfd. on Market

A nation-wide group of investment bankers, headed by Morgan Stanley & Co., is offering for public sale today 700,000 shares of E. I. du Pont de Nemours & Co. \$3.50 series preferred stock, at \$102 per share and accrued dividends, to yield 3.43% to the investor.

The proceeds from the sale of this stock to the public, together with the proceeds from the sale of an additional 300,000 shares of such stock to the trustee of a Pension Trust established by the company for the benefit of its employees, will add approximately \$100,000,000 to the general funds of the company.

The company has a program under way which contemplates improvements in existing facilities and substantial expenditures for the construction of new manufacturing plant and research facilities. Cash requirements for this program and for increased working capital needs are such that the raising of substantial additional capital for permanent use in the business is deemed advisable at this time. Construction expenditures during 1946 and the first two months of 1947 amounted to about \$110,300,000 with unexpended authorizations at Feb. 28, 1947 of about \$133,500,000.

The prospectus points out that, according to a price index the company has used for several years, the sales prices of its products in 1946, on the average, were no higher than in the year 1939; and that as a result of price increases during the latter part of 1946 and the early part of 1947, sales prices, on the average, at the end of February, 1947, were about 12% higher than in 1939. The U. S. Bureau of Labor Statistics index of all wholesale prices at the end of February, 1947, on the other hand, was about 90% higher than in 1939.

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# Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

## Acme Electric Corp., Cuba, N. Y.

June 26 filed 132,740 shares (\$1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at \$5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of \$200. Of the net proceeds (\$292,940) \$50,000 will be used to pay current bank loans; about \$20,000 will be used for machinery and equipment, and the remainder for working capital.

## Air-Borne Cargo Lines, Inc., New York

Feb. 14 (letter of notification) 214,890 shares (\$1 par) common. Being offered for subscription to stockholders of record Feb. 20 at \$1 a share. Rights expired 3 p.m. (EST.) March 11. Unsubscribed shares will be offered to the public through Greenfield, Lax & Co., Inc., New York. For reduction of current obligations and for working capital.

## All American Industries, Inc., New York

March 17 (letter of notification) \$300,000 10-year 5% income notes and 7,500 shares of capital stock (par 25¢). **Offering**—To be offered in units of \$1,000 of notes and 25 shares of stock at \$1,000 per unit. **Underwriter**—A. W. Benkert & Co., Inc., New York. To reduce indebtedness incurred in acquisition of outstanding stock of Oklahoma Steel Castings Co.

## American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares (\$1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

## American Coach & Body Co., Cleveland, Ohio

April 21 (letter of notification) 20,000 shares (\$5 par) common. Price—\$12 a share. For subscription by shareholders. No underwriting. To refund current bank indebtedness.

## American Gas Machine Co., Inc., Albert Lea, Minn.

April 21 (letter of notification) 500 shares of Class B common on behalf of George R. Cooley & Co., Albany, N. Y. Price—\$46 a share. **Underwriter**—Cohu & Torrey, New York.

## American Hydraulics, Inc., Sheboygan, Wis.

April 2 (letter of notification) 50,000 shares of common. **Offering**—Offered initially to stockholders of record April 15 in ratio of one new for each five shares held, at \$5.50 per share. Rights expire May 15. **Underwriter**—Heronymus & Co., Sheboygan, Wis., and Lon L. Grier & Co., Milwaukee, Wis. For new machinery and for working capital.

## American Iron & Machine Works Co., Oklahoma City, Okla. (5/6)

Feb. 24, filed \$1,000,000 of 4% sinking fund debentures, due 1967; 25,000 shares (no par) \$1.10 cumulative preferred and 60,000 shares (no par) common. **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas, and Milton R. Underwood & Co., Houston, Texas. Price—Debentures: 100; preferred \$20 per share and common \$10 per share. **Proceeds**—To pay \$712,500 balance on a bank loan, retirement of \$850,000 promissory notes, and provide working capital.

## American Machinery Corp., Orlando, Fla.

Mar. 31 filed 133,000 shares (50¢ par) common, of which 10,000 will be offered to officers and key employees. **Underwriter**—Townsend, Graff & Co. and Gearhart & Co., Inc. Price—\$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes.

## American Overseas Airlines, Inc., New York

March 31 filed \$2,030,400 4% subordinated income debentures due 1957 and stock purchase warrants for shares of \$1 par capital stock; also filed a maximum of 228,899

shares of capital stock, reserved for stock purchase warrants from April, 1947 through March, 1957 at \$9 through \$13.50 per share. **Underwriting**—None. **Offering**—The debentures and purchase warrants will be offered to stockholders in units of \$100 of debentures and one stock purchase warrants at \$100 per unit. Unsubscribed units will be sold to American Airlines Inc. at \$100. **Purpose**—To repay loan from American Airlines, Inc., balance for general funds.

## American Water Works Co., Inc., N. Y.

March 30, 1946 filed 2,343,105 shs. of common (par \$5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White, Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Price to public by amendment. **Bids**—Expected about April 30.

## American Zinc, Lead & Smelting Co., St. Louis

Sept. 6 filed 336,550 shares common stock (par \$1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. Price—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

## Anderson (Ben H.) Manufacturing Co., Madison, Wis.

April 21 (letter of notification) \$75,000 first mortgage 4% serial bonds. Northwestern Securities Co., Madison, Wis., will act as sales agent. To retire mortgage against real estate and for working capital.

## Apothecaries House, East Rutherford, N. J.

April 22 (letter of notification) \$15,000 (\$10 par) capital stock. Price—\$10 a share. No underwriting. For advertising of product.

## Arkansas Western Gas Co.

June 5 filed 16,197 shares of common stock (par \$5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

## Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par \$5). **Underwriting**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of \$6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of \$6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. Price—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of \$6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

## Atlantic City (N. J.) Electric Co.

March 19 filed 522,416 shares (\$10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. Probable bidders include: The First Boston Corp., and Drexel & Co. (jointly); Shields & Co., and White, Weld & Co. (jointly); Dillon, Read & Co., Inc., and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Union Securities Corp. Price—To be determined by competitive bidding. **Proceeds**—The offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. This dividend policy will become effective

June 15 and will continue to the end of 1948. **Bids**—American Gas & Electric Co. invited bids April 15, at 30 Church Street, New York, for the purchase of 522,416 common shares, but the sale has been postponed.

## Bates Manufacturing Co., Lewiston, Me.

April 28 (letter of notification) 1,000 shares (\$10 par) common. Price, about \$25 a share. To be sold on over-the-counter market through Baker, Weeks & Harden, New York. Shares being sold on behalf of Herman D. Ruhm, Jr., President of company.

## Beauty Counselors, Inc., Detroit, Mich.

April 24, (letter of notification) 27,000 shares (\$10 par) 5% cumulative convertible preferred. Price—\$10 a share. **Underwriter**—Campbell, McCarty & Co., Detroit. For operation of business.

## Beaunit Mills, Inc., New York

Sept. 27 filed 180,000 shares (\$2.50 par) common. **Underwriter**—White, Weld & Co., New York. Price—By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

## Benrus Watch Co., Inc., New York

April 24 filed 150,000 shares (\$1 par) common. **Underwriter**—Hayden, Stone & Co., New York. Price by amendment. **Proceeds**—The shares are being sold by five officers of the company who will receive proceeds. **Business**—Manufacture of watches.

## Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible \$6 par preferred. Offering price \$6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

## Berkey & Gay Furniture Co., Grand Rapids, Mich.

Feb. 3 filed 733,575 shares (\$1 par) capital stock. **Underwriting**—None. **Offering**—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. Price—At market. **Proceeds**—Go to selling stockholders.

## Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting**—None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at \$10 per share, company on Sept. 20 decided to withhold action.

## Bobbi Motor Car Corp., Birmingham, Ala.

Mar. 3 (letter of notification) 60,000 shares (\$1 par) common. Price—\$5 a share. Company proposes to offer 12,997 shares of common in exchange for its unsecured promissory notes in the amount of \$64,985 held by distributors of company's proposed products. **Underwriting**—The stock will be sold by officers and directors of the company. For completion of display automobiles now under construction.

## Boston Store of Chicago, Inc.

Sept. 10 filed 30,000 shares (\$50 par) 5% cumulative preferred and 500,000 shares (\$1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock (Continued on page 54)

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## NEW ISSUE CALENDAR

(Showing probable date of offering)

## May 2, 1947

Pennsylvania Frosted Foods Corp.-----Preferred

## May 5, 1947

Crest-Ware Inc.-----Pref. and Common

Cudahy Packing Co., 11 a.m. (CDT)-----Bonds

Gloria Chandler Recordings Inc.-----Pref. &amp; Common

Haile Mines, Inc.-----Common

Lyons Finance Service Inc.-----Preferred

Platinoyd Industries, Inc.-----Common

Tide Water Power Co.-----Common

Whites Auto Stores Inc.-----Common

## May 6, 1947

American Iron &amp; Machine

Works Co.-----Debs., Pref. and Common

National Gas &amp; Oil Corp.-----Debentures

## May 7, 1947

Suburban Propane Gas Corp.-----Preferred

## May 12, 1947

Bowman Guns.-----Common

## May 13, 1947

Southern Pacific Co., 12 noon (EST)-----Bonds

Southern California Water Co., 11 a.m.-----Bonds

## May 15, 1947

Consol. Gas. El. Lt. &amp; Pwr. Co., Balt.-----Debentures

## May 19, 1947

Upper Peninsula Power Co.-----Bonds, Preferred

(Continued from page 53)

purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. Price—By amendment. Proceeds—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of \$5,268,750 and accrued interest. Offering date indefinite.

## Bowman Gum, Philadelphia (5/12-15)

Sept. 27 filed 268,875 shares (\$1 par) common. Underwriter—Van Alstyne, Noel & Co., New York. Price—\$7.125 per share. Proceeds—Stock is being sold by shareholders who will receive proceeds.

## Braunstein (Harry), Inc., Wilmington, Del.

Sept. 25 filed 12,500 shares (\$25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. Underwriter—C. K. Pistell & Co., Inc., New York. Price—\$25 a share for preferred and \$11 a share for common. Proceeds—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at \$147,500, will be used to prepay to the extent possible outstanding \$149,300 mortgage liabilities. Offering date indefinite.

## Brayton Flying Service, Inc., Robertson, Mo.

March 24 (letter of notification) 50,000 shares (\$1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10¢ par) common. Price—\$5 per unit, consisting of one share of each. Underwriter—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

## Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock (\$100 par). Underwriters—To be filed by amendment.

Bids Rejected—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

## Burrillville Racing Association, Pawtucket, R. I.

Feb. 27 filed 38,500 shares (no par) class A stock. Underwriter—Barrett & Co., Providence, R. I. Offering—The shares will be offered for subscription to class A stockholders at \$20 a share, on the basis of one share for each share held. Unsubscribed shares will be offered publicly at \$20 a share. Price—\$20 a share. Proceeds will be used to finance the cost of completing a race track at Lincoln, R. I.

## California Oregon Power Co.

March 26 filed 60,000 shares (\$100 par) cumulative preferred and 390,000 shares (\$20 par) common. Under-

writers—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co.; Kuhn, Loeb & Co., and Smith, Barney & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, and Bear, Stearns & Co. (jointly). California Oregon will sell all of the preferred and 30,000 shares of the common, Standard Gas & Electric Co. (parent), which is planning to sell its entire common stock holdings in California Oregon, will sell the remaining 360,000 shares of common. The subsidiary plans to amend its charter to create the new preferred stock and to reclassify and increase the authorized common. The 312,000 shares of \$25 par common of California Oregon present, outstanding are held by Standard Gas. They will be reclassified into 390,000 shares (\$20 par) common. Standard Gas will make a capital contribution of 30,000 shares to California Oregon. Proceeds—Standard Gas will use the proceeds to reduce its bank loan notes. California Oregon will apply its proceeds to redeem 45,761 shares (\$100 par) 6% preferred, series of 1927, at \$110 a share. The balance will be used to reimburse its treasury for previous additions and improvements.

## Carpenter Paper Co., Omaha, Neb.

Mar. 31 filed 10,000 shares (\$1 par) common. Underwriting—None. Offering—Shares will be offered directly to officers and employees of the company at \$45 a share. Purchasers must agree not to transfer the shares for a period of five years. Price—\$45 a share. Proceeds—To be added to general funds for purchase of additional equipment.

## Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. Underwriter—No underwriters. Offering—To the public at \$1 a share in Canadian funds. Proceeds—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

## Central Mills, Inc., Dunbridge, O.

March 13 (letter of notification) \$300,000 of first mortgage bonds. Price—\$500 per unit. No underwriting. For retirement of preferred stock, for purchase of two alfalfa dehydrating plants from Logan County Dehydrators, Inc. and for retirement of latter's preferred stock.

## Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. Underwriter—None. Offering—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

## Cincinnati &amp; Suburban Bell Telephone Co.

April 14 filed 100,738 shares (\$50 par) capital stock. Underwriting—None. Offering—For subscription to common stockholders in the ratio of one share for each six shares held as of May 12, 1947. Price at par. Proceeds—To reimburse company treasury for construction expenditures and for additional improvements.

## Claude Neon, Inc., New York

March 28 filed 223,954 shares (\$1 par) common. Underwriting—None. Offering—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment. Proceeds—To finance airline operations and acquisition and development of oil properties. Company also plans to advance funds to Summit Airways, Inc., of whose stock it owns 61%.

## Cleveland (O.) Electric Illuminating Co.

Feb. 21, filed 1,847,908 shares (no par) common. Offering—All of the shares are owned by The North American Co., which is offering 1,714,524 shares to common stockholders of North American of record March 19 at \$15 per share to the extent of one Cleveland for every five North American shares held. Rights expire May 27. The remaining 133,383 shares are to be sold, probably through competitive sale. Probable bidders include Dillon, Read & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co. and W. C. Langley & Co. (jointly); Otis & Co.; Blyth & Co., Inc.; Smith, Barney & Co. Proceeds—For prepayment of bank loan notes of North American.

## Clinton Machine Co., Clinton, Mich.

Feb. 17 (letter of notification) 10,000 shares (\$1 par) stock on behalf of Donald D. Thomas, President of the company. Price—\$6 a share. Underwriter—Smith, Hague & Co., Detroit. Proceeds go to the selling stockholder.

## Clinton Machine Co.

Feb. 24 (letter of notification) 6,500 shares of common stock (par \$1) on behalf of selling stockholders. Underwriters—F. H. Koller & Co. Price—\$6 a share.

## Cohart Refractories Co., Louisville, Ky.

Mar. 28 filed 182,520 shares (\$5 par) common. Underwriters—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. Proceeds—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company.

## Colorado Chemical Co., Denver, Colo.

April 22 (letter of notification) \$100,000 of common. Price—\$1 a share. No underwriting. For working capital.

## Consolidated Gas Electric Light &amp; Power Co. of Baltimore (5/15-16)

April 3 filed \$16,677,100 15-year 2½% conv. debentures, due May 15, 1962. Underwriters—Harriman Ripley & Co., Inc., and Alex. Brown & Sons. Offering—Debentures are offered at par to common stockholders of record April 18 on the basis of \$100 of debentures for each seven shares held. Rights expire 5 p.m. May 14. Unsubscribed shares will be offered publicly at \$100 per unit through the underwriters. Proceeds—Proceeds, estimated at \$16,507,162, will be used to reimburse its treasury for capital expenditures and for general corporate purposes including extensions and improvements of its properties and plants.

## Continental-United Industries Co., Inc., N. Y.

Mar. 28 filed 152,500 shares (\$1 par) common. Underwriters—Aronson, Hall & Co., and P. W. Brooks & Co., New York. Offering—Of the total 102,500 shares are being offered by selling stockholders. Price by amendment. Proceeds—The company, which is selling 50,000 shares, will apply proceeds to general funds.

## Cooperative P &amp; C Family Foods, Inc., Ithaca, New York

April 25 (letter of notification) 1,000 shares (\$100 par) preferred. Price—\$100 a share. No underwriting. For general operations of corporation.

## Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares (\$5 par) common stock. Underwriters—First Boston Corp., New York. Price by amendment. Proceeds—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

## Crest-Ware Inc., Brooklyn, N. Y. (5/5)

April 25 (letter of notification) 300 shares (\$100 par) preferred and 40 shares (\$500 par) common. Price—\$100 a preferred share. No selling price was stated for the common. To be sold through officers and a director of the company. For expansion purposes.

## Cribben &amp; Sexton Co., Chicago

March 21 (letter of notification) a maximum of 5,000 shares (\$5 par) common on behalf of Robert S. Caldwell, a director of company. Underwriters—Swift Henke & Co., and Paul H. Davis Co., Chicago.

## Cudahy Packing Co., Chicago (5/5)

April 4 filed \$15,000,000 first mortgage sinking fund bonds, series C, due 1967. Underwriters—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. Proceeds—For redemption of 102¾% \$14,000,000 first mortgage fund bonds series B, due 1964. The registration said \$1,000,000 of the funds will be used to acquire additional facilities. Bids Invited—Bids for purchase of debentures will be received up to 11 a.m. (CDT) May 5 at 221 No. La Salle St., Chicago.

## Curlee Clothing Co., St. Louis, Mo.

April 18 filed 22,500 shares of 4½% (\$100 par) cumulative preferred. Underwriter—Stifel, Nicolaus & Co., Inc., St. Louis. Offering—The preferred shares will be offered for exchange, dollar for dollar, for the company's outstanding Class A common, valued at \$31.50 each. Unexchanged shares of new preferred will be offered publicly at \$100 each. Proceeds—Proceeds will be used to redeem unexchanged shares of Class A common at \$31.50 each and to carry out the company's expansion program. Business—Manufacture of men's suits and overcoats.

## Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par \$1). Underwriters—Sabiston-Hughes, Ltd., Toronto. Offering—Shares will be offered to the public at 75 cents a share. Proceeds—Net proceeds, estimated at \$300,000, will be used for mining operations.

## Delta Petroleum Co. Inc., New Orleans

April 28 (letter of notification) 5,000 shares of common and 450 shares of preferred. Price—\$10 a common share and \$100 a preferred share. No underwriting. For expansion purposes.

## Detroit Typesetting Co., Detroit, Mich.

Sept. 25 filed 70,920 shares (\$1 par) common. Underwriter—C. G. McDonald & Co., Detroit. Price—\$5.50 a share. Proceeds—Stock is being sold by six shareholders who will receive proceeds. Boston. For working capital.

## Disticraft Inc., Chicago

April 3 (letter of notification) 15,000 shares of class B common on behalf of Clarence W. Kraft, Ray T. Haas, and William A. Spanier, all officers of company. The securities may be sold through Bennett, Spanier and Co., Chicago, as agent.

## Divco Corp., Detroit

April 30 filed 34,963 shares (\$1 par) common. Underwriters—Reynolds & Co. and Laurence M. Marks & Co., both of New York. Price—By amendment. Proceeds—Shares are being sold by a stockholder. Twin Coach Co., Kent, O., which will receive all proceeds. Business—Manufacture of special type trucks.

## Domenico Food Products Co., Inc., Louisville, Kentucky

April 21 (letter of notification) 20,000 shares (\$10 par) 5% cumulative preferred and 16,100 shares (25¢ par) common. The total offering prices will be \$200,000 for the preferred and \$4,025 for the common. No underwriting. To pay organization expenses and for working capital.

**Douglas Oil Co. of California, Clearwater, Calif.**  
March 13 (letter of notification) 11,500 shares (\$25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of \$26 a share. **Underwriters**—Pacific Co. of California, Crutenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

• **Douglass Manufacturing Co., Inc., Portland, Me.**  
April 25 (letter of notification) 10,000 shares of common and rights to subscribe for them. **Price**—\$10 per unit consisting of one share of common and one right. **Underwriter**—Minot, Kendall & Co., Inc., Boston. For general corporate purposes.

• **Drackett Co., Cincinnati**

April 28 filed 14,300 (\$1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price**—By amendment.

**Duraloy Co., Scottdale, Pa.**

March 12 (letter of notification) 25,000 shares (\$1 par) common on behalf of the issuer, 12,500 shares (\$1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares (\$1 par) common for the account of Mrs. Thomas R. Heyward, Jr. **Price**—At market (approximately \$3.25 per share). **Underwriter**—Johnson & Johnson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

**East Coast Electric Co., West Point, Va.**

Mar. 28 filed 1,300,000 of first mortgage bonds, Series A, due 1977, and 60,000 shares of \$10 par common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. **Offering**—To the public. The registration showed that \$800,000 of the bonds and all of the common stock are being offered by East Coast Public Service Co., parent of the registrant. **Proceeds**—East Coast Electric will use proceeds from the sale of \$500,000 of bonds toward the payment of outstanding first mortgage notes and repayment of bank loans.

**Edelbrew Brewery, Inc., Brooklyn, N. Y.**

Dec. 31 filed 5,000 shares (\$100 par) 5% non-cumulative preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds**—For corporate purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

**Elkhorn-Beaverhead Mines Co., Baltimore, Md.**

March 12 (letter of notification) \$250,000 first mortgage 10-year 5% bonds, and 250,000 shares (10 cents par) common. **Price**—\$550 per unit consisting of \$500 bond and 500 shares of common. No underwriting. For mine development.

**Federal Electric Products Co., Newark, N. J.**

Feb. 26, filed 150,000 shares (\$1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—\$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B (\$1 par) common at \$7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately \$870,000, together with \$755,000 of other bonds, will be used to repay the balance of \$34,000 of a property mortgage, to pay off loans in the amount of \$1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

**Ferguson (Harry), Inc., Detroit**

Mar. 31 filed 100,000 shares (\$50 par) 4¼% cumulative preferred and 250,000 shares (\$1 par) common. **Underwriters**—F. Eberstadt & Co., Inc., New York, and Watling, Lerchen & Co., Detroit. **Price** by amendment. **Proceeds**—To equip and improve recently acquired Cleveland, O. plant. **Offering** postponed.

**Films Inc., New York**

June 25, filed 100,000 shares (\$5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriter**—Herrick, Wadell & Co., Inc., New York. **Offering**—To be offered publicly at \$8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—\$201,000 for retirement of 2,010 shares (\$100 par) preferred stock at \$100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

**Foreman Fabrics Corp., New York**

July 29 filed 110,000 shares (\$1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. **Price** by amendment. Issue may be withdrawn.

**Foremost Dairies, Inc.**

March 28 filed 70,000 shares (\$50 par) 4¼% series cumulative preferred stock with common stock purchase warrants. **Underwriters**—Paine, Webber, Jackson & Curtis; and Allen & Co., both of New York. **Offering**—65,500 shares will be offered to the public at \$2.50 per share. Of the remaining, 3,414 shares will be offered to certain officers and one large stockholder who have indicated their willingness to surrender shares of 6% preferred stock held by them in exchange for shares of new preferred. The remaining 1,086 shares are being issued

in satisfaction of an obligation to pay \$57,000 in connection with the purchase of a plant in Jacksonville, Fla. **Proceeds**—For redemption of 25,233½ shares of 6% preferred and for other corporate purposes. Indefinitely postponed.

**Fresh Dry Foods, Inc., Columbia, S. C.**

Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—\$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

• **Garfield Silver-Lead Mines, Inc., Hailey, Ida.**

April 23 (letter of notification) 1,000,000 shares of common. **Price**—12½ cents a share. To be sold directly by company. Other underwriters may be named by amendment. For prospecting and developing mining claims.

• **General Controls Co., Glendale, Calif.**

April 24 filed 30,000 shares (\$25 par) 6% cumulative preferred and 10,000 shares (\$5 par) common. **Underwriter**—Wagenseller & Durst, Inc., and Lester & Co., both of Los Angeles. **Price**—\$25 a preferred share and \$33 a common share. **Proceeds**—To repay \$750,000 note and for working capital.

**Glensder Textile Corp., New York**

Aug. 28 filed 355,000 shares (\$1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at \$11 a share. **Price** by amendment. **Offering** temporarily postponed.

• **Gloria Chandler Recordings, Inc. (5/5)**

April 28 (letter of notification) 500 shares (\$100 par). 4% non-convertible preferred (cumulative after Jan. 1, 1948) and 200 shares (\$1 par) common. **Underwriting**, none. **Price**—\$100.40 per one preferred share and 2/5th common. Working capital.

**Griggs, Cooper & Co., St. Paul, Minn.**

Sept. 3 (letter of notification) 12,000 shares (\$1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—\$25 a share. **Proceeds**—For improvement and modernization program. **Offering** indefinitely postponed.

**Grolier Society, Inc., New York**

April 2, 1947 (by amendment), 30,000 shares at 4¼% cumulative preferred stock (\$50 par) and 170,000 shares of \$1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters to purchase from the company 30,000 shares of preferred and 70,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—To retire \$6 cumulative preferred, balance for reduction of bank loans.

**Gulf States Utilities Co., Baton Rouge, La.**

Jan. 20 filed 1,909,968 shares (no par) common. **Underwriter**—None. **Offering**—The shares will be offered for subscription to common stockholders of Gulf States' parent, Engineers Public Service Co., New York. The subscription basis will be one share of Gulf States stock for each share of Engineers common held. **Price**—\$11.50 a share. **Proceeds**—Purpose of offering is to carry out a provision of dissolution plan of Engineers approved by the Commission.

• **Haile Mines, Inc., New York (5/5)**

April 25 (letter of notification) 200,000 shares (25¢ par) common. **Price**—\$1.50 a share. No underwriting. To furnish additional capital to Tungsten Mining Corp. which is owned 70% by the issuer.

**Hartfield Stores, Inc., Los Angeles**

June 27 filed 100,000 shares (\$1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at \$8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. **Offering** temporarily postponed.

**Hawaiian Electric Co., Ltd., Honolulu**

Mar. 31 filed \$5,000,000 first mortgage bonds, series F, due 1977. **Underwriters**—Dillon, Read & Co., Inc., New York, and Dean Witter & Co., San Francisco. **Price** by amendment. **Proceeds**—To repay \$3,000,000 of short term promissory notes and to reimburse its treasury for previous construction expenditures.

**Helicopter Air Transport, Inc., Camden, N. J.**

March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. **Price**—\$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

• **Home Finance Group, Inc., Charlotte, N. C.**

April 24 (letter of notification) 8,000 shares (\$25 par) 5½% cumulative convertible preferred. **Price**—\$25 a share. **Underwriting**—To be sold through securities dealers which may include R. S. Dickson & Co., Charlotte, N. C. To be added to working capital.

• **Home Finance Group, Inc., Charlotte, N. C.**

April 24 (letter of notification) 20,000 shares (\$1 par) common. **Price**—\$5 a share. No underwriting. To be added to working capital.

**Hy-Grade Supply Co., Oklahoma City**

Dec. 3 (letter of notification) 54,350 shares of cumulative convertible preferred and 50,000 common stock purchase warrants. **Price**—\$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

**Illinois Power Co., Decatur, Ill.**

June 17, filed 200,000 shares (\$50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

**International Dress Co., Inc., New York**

Aug. 28 filed 140,000 shares of common stock (par \$1). **Underwriter**—Otis & Co. **Offering**—Price \$10 per share. **Proceeds**—Selling stockholders will receive proceeds. **Offering** date indefinite.

**Iowa-Illinois Gas & Electric Co.**

Feb. 15 filed \$22,000,000 of first mortgage bonds due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.). **Proceeds**—Part of the proceeds will be used to pay mortgage debt of \$10,578,000 and balance will be added to general funds.

**Jahn & Ollier Engraving Co.**

Feb. 26, filed 102,000 shares (\$1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders.

• **Koppers Co. Inc., Pittsburgh**

April 30 filed 200,000 shares of common stock (par \$10). **Underwriter**—The First Boston Corp. **Proceeds**—The money will be used for the construction of plants at Kobuta, Pa., at a cost of approximately \$4,750,000, the conversion of a refinery at Oil City, Pa., into a synthetic organic chemical plant at a cost of about \$1,250,000 and for the completion of facilities at Kearney, N. J., at a cost of \$1,000,000.

**Lakefront Realty Corp., Chicago**

April 14 filed 100,000 shares (\$10 par) common. **Underwriting**—The underwriting will be handled by Lake Shore Club of Chicago which organized the registrant to carry out the proposed transactions. **Offering**—To members of Lake Shore Club. **Price**—\$10 a share. **Proceeds**—To purchase property presently leased.

• **La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa**

April 30 filed 60,000 shares (\$25 par) cumulative convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—By amendment. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans. **Business**—Manufacture of earth moving equipment.

**Lay (H. W.) & Co., Inc., Atlanta**

April 18 filed 16,000 shares (\$50 par) 5% cumulative convertible preferred and 15,000 shares (\$1 par) common. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta. **Offering**—All but 3,000 shares of the common will be sold publicly at \$6.50 a share. The preferred will be offered to the public at \$50 a share. The 3,000 shares of common not sold publicly will be offered to company officers and employees at \$5 each. **Proceeds**—For construction of new plants at Atlanta and Memphis, Tenn. **Business**—Manufacture of food products.

• **Libby, McNeill & Libby**

April 30 filed 100,000 shares (no par) preferred stock. **Underwriter**—Glore, Forgan & Co. **Offering**—Stock will be offered to stockholders at the rate of one share of preferred for each 36 shares of common owned. **Proceeds**—The money will be used to complete a plant at Sunnyvale, Calif., and for other corporate purposes.

**Lithium Corp. of America, Minneapolis**

April 2 (letter of notification) 85,000 shares of common and 42,500 common stock warrants not exercisable until May 1, 1948. **Price**—\$3 a common share and two cents a warrant. **Underwriter**—Hautz, Engel & Andrews, New York. For mine development and for working capital.

• **Lorain Telephone Co., Lorain, Ohio**

April 21 (letter of notification) 5,616 shares (no par) common. **Price**—\$20 a share. No underwriting. To reimburse treasury.

• **Louisiana Plastic Industry, Baton Rouge, La.**

April 21 (letter of notification) \$10,000 to \$25,000 of securities. **Price**—\$100 each. No underwriting. For purchase of equipment and supplies for manufacturing toys.

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● **Lyons Finance Service, Inc., Philadelphia (5/5)**  
April 28 (letter of notification) 40,000 shares preferred stock (par \$5). Of the total 19,587 shares will be offered in exchange for class A stock, share for share based on value of \$7 per share for class A or a total of \$137,109. The balance (20,413 shares) will be offered at \$7 per share. Underwriting none. Net proceeds will be used to reduce bank borrowings or to make small loans to clients.

● **McClanahan Oil Co., Grand Rapids, Mich.**  
April 8 (letter of notification) 260,109 shares (\$1 par) common. Price—\$1 a share. To be offered for subscription to stockholders of record April 22 in ratio of one for each five shares held. No underwriting. For working capital.

● **McCormack & Co., San Francisco**  
April 14 (letter of notification) 25,000 shares (\$1 par) common; \$225,000 of 6% certificates of indebtedness and 15,300 shares (\$1 par) common to be issued on exercise of the option granted by the certificates of indebtedness. The common will be offered at \$1 a share and the certificates at face amount. Hannaford & Talbot will be the agent for the sale. Proceeds to be used to acquire all the assets of McCormack & Co., a going business.

● **Mad River Corp., New York**  
April 24 (letter of notification) 1,000 shares (\$1 par) \$4.50 preferred and 1,000 shares (\$1 par) common. Price—\$100 a preferred share and \$1 a common share. No underwriting. For reconstruction of two buildings.

● **Manontqueb Explorations, Ltd., Toronto, Can.**  
April 10 filed 300,000 shares (\$1 par) common. Underwriter—Name to be supplied by amendment. Price—40 cents a share. Proceeds—For exploration and development of mining claims. Business—Mining.

● **Mays (J. W.) Inc., Brooklyn, N. Y.**  
Feb. 28 filed 150,000 shares (\$1 par) common. Underwriter—Burr & Co., Inc., New York. Price by amendment. Proceeds—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes.

● **Mercantile Acceptance Corp. of California, San Francisco**  
Mar. 26 (letter of notification) \$146,900 10-year debentures, 4% series. To be sold at face amounts of \$100, \$500 and \$1,000. Underwriter—Guardian Securities Corp., San Francisco. For payment of short term notes or for other corporate purposes.

● **Meyer-Blanke Co., St. Louis, Mo.**  
April 23 (letter of notification) 3,612 shares (no par) common. Price—\$13.25 a share. To offered to employees. No underwriting. For general corporate purposes.

● **Michigan Consolidated Gas Co., Detroit**  
March 7 filed \$6,000,000 first mortgage bonds, due 1969. Underwriting—To be determined by competitive bidding. Probable bidders—Dillon, Reed & Co., Inc.; Halsey, Stuart & Co., Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.). Price—To be determined by competitive bidding. Proceeds—Net proceeds, together with funds to be received from the sale of additional common shares to Michigan's parent, American Light & Traction Co., will be used to finance its property construction and equipment program and to reimburse its treasury for previous construction expenditures.

● **Mission Appliance Corp., Los Angeles**  
March 25 filed 58,000 shares (\$5 par) common. Underwriter—Lester & Co., Los Angeles. Price—\$11.50 a share. Proceeds—For construction of new plant building and an office building and for purchase of machinery and equipment.

● **Mobile (Ala.) Battle House, Inc.**  
April 28 (letter of notification) \$250,000 of convertible mortgage 5% bonds, due 1957. Price, par. Shropshire & Co., Mobile, will act as agent. For expansion and improvement purposes.

● **Morris Plan Corp. of America, N. Y.**  
Mar. 31 filed \$5,000,000 of debentures. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—To retire outstanding bank loans in amount of \$4,080,000, with the balance applied to general corporate purposes.

● **Motors Securities Co., Inc., Shreveport, La.**  
Feb. 19 filed \$5,000,000 collateral trust notes, series 118 to 137 inclusive, with 4% interest from maturity. Underwriting—No underwriting. Proceeds—For purchase of automobile time sales paper which is its principal business as a finance company.

● **Murphy (G. C.) Co., McKeesport, Pa.**  
June 13 filed 250,000 shares of common stock (par \$1). Underwriter—Smith, Barney & Co. Price by amendment. Proceeds—Redemption of outstanding 4¼% preferred stock at \$109 a share plus dividends. Indefinitely postponed.

● **Mutual Fund, Inc., St. Louis, Mo.**  
April 22 (letter of notification) 4,990 shares of (\$50 par) capital stock. Price—\$52 a share. No underwriting. For general corporate purposes.

● **National Gas & Oil Corp., Newark, O. (5/6-9)**  
March 28 filed \$1,750,000 of 15-year sinking fund debentures, due 1962. Underwriter—G. H. Walker & Co., Providence, R. I. Price by amendment. Proceeds—To redeem first mortgage bonds, to repay Freedom-Valvoline Oil Co. the balance of advances made by that company to the corporation and to add to general funds for payment of costs of construction and development work.

● **New Brunswick Oilfields, Ltd., Fredericton, New Brunswick, Canada**  
April 2 filed 150,000 shares (no par) capital stock. Underwriters—William D. Elwell, Elwell & Co., Inc., Boston, and W. C. Pitfield & Co., Ltd., Montreal. Price—\$5.75 a share. Proceeds—Proceeds, together with \$300,000 bank loan and \$300,000 from the Shell Co., will be used towards the purchase of the New Brunswick Properties of New Brunswick Gas & Oilfields, Ltd.

● **New England Electric System**  
April 23 filed \$75,000,000 of debentures, of which \$25,000,000 will mature in 1967 and \$50,000,000 in 1977. Underwriters—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc.; The First Boston Corp.; White, Weld & Co., and Kidder, Peabody & Co. (jointly). Purpose—Proceeds of new debentures will be used in part to discharge publicly held debt of three subsidiaries: New England Power Association; North Boston Lighting Properties and Massachusetts Utilities Associates in compliance with simplification plan.

● **O'Briens of California, Inc., San Jose, Calif.**  
April 16 filed 20,000 shares of \$1.35 cumulative preferred stock (par \$25), with warrants and 40,000 shares of common stock (no par). Warrants for common stock may be exercised through April 1950 at \$10 per share, through April 1952 at \$11 per share and through April 1953 at \$12 per share. Underwriter—Mitchum, Tully & Co. Proceeds—To repay bank loans and for additions and betterments. Business—Manufacturer of candy.

● **Ohio-Apex, Inc., Nitro, W. Va.**  
April 22 filed 75,000 shares (\$1 par) common. Underwriter—Doolittle, Schoellkopf & Co., Buffalo, N. Y. Price by amendment. Proceeds—Shares are being sold by six stockholders who will receive proceeds. Business—Manufacturer of plasticizers and chemicals.

● **Old Poindexter Distillery, Inc., Louisville, Ky.**  
Mar. 31 filed 50,000 shares (\$20 par) 5% convertible cumulative preferred and an unspecified number of (\$1 par) common shares into which the preferred is convertible. Underwriters—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. Price—At par. Proceeds—To be added to working capital.

● **Pacific Gas & Electric Co., San Francisco**  
April 9 filed 626,136 shares of common stock (par \$25). Underwriters—None. Offering—To be offered for subscription to common stockholders of record May 12 at par in ratio of one new for each 10 shares held. Rights will expire June 30. Proceeds—To finance construction program.

● **Pennsylvania Frosted Foods Corp., Southampton, Pa. (5/2)**  
April 25 (letter of notification) \$200,000 preferred stock. Underwriting, none. Price—\$100 per share. Working capital.

● **Pharis Tire & Rubber Co., Newark, O.**  
Sept. 27 filed 100,000 shares (\$20 par) cumulative convertible preferred. Underwriter—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. Price—\$20 a share. Proceeds—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

● **Pig'n Whistle Corp., San Francisco**  
Dec. 26 filed 50,000 shares (par \$7.50) cumulative convertible prior preferred \$2 dividend stock. Underwriter—G. Brashears & Co., Los Angeles. Price by amendment. Proceeds—23,481 shares are being issued by company and proceeds will be used in connection with recent purchase of four Chi Chi restaurants and cocktail lounges in Long Beach, Riverside, Palm Springs and San Diego and for working capital.

● **Platinoyd Industries, Inc., New York (5/5)**  
April 28 (letter of notification) 50,000 shares of common stock (par \$1). Underwriting, none. Price—\$1. Store fixtures, etc.

● **Progressive Air Service, Inc., Smithtown Branch, N. Y.**  
April 16 (letter of notification) 200 shares (\$100 par) common and 1,846 shares (\$100 par) preferred. Price—\$100 each. No underwriting. For development and construction of airport at Smithtown, N. Y.

● **Public Service Co. of Indiana Inc.**  
March 26 filed \$11,077,800 15-year 2¼% convertible debentures. Underwriters—None. Offering—For subscription by common stockholders in the ratio of \$200 principal amount of debentures for each 20 shares of common held. The debentures will be convertible into common from May 1, 1947 to April 30, 1959. Price—Par. Proceeds—For repayment of \$11,500,000 of bank loan notes.

● **Quebec Gold Rocks Exploration Ltd., Montreal**  
Nov. 13 filed 100,000 shares (50¢ par) capital stock. Underwriter—Robert B. Soden, Montreal, director of

company. Price—50¢ a share. Proceeds—For exploration and development of mining property.

● **Ramie Products Corp., Pittsburgh, Pa.**  
April 18 (letter of notification) 94,000 shares of (\$1 par) common. Price—\$3 a share. Underwriting—Euler and Co., Phila. To liquidate current obligations and for general corporate purposes.

● **Reed-Prentice Corp., Worcester, Mass.**  
April 7 (letter of notification) 5,000 shares (\$2.50 par) common. Price—At market. Being sold on behalf of Charles S. Payson, Vice-President. Tucker, Anthony & Co., is broker for the sale.

● **Refrigerated Cargoes, Inc., New York**  
Feb. 3 filed 25,000 shares (\$100 par) 6% cumulative preferred and 25,000 shares (no par) common. Underwriter—John Martin Rolph, Vice-President and director of company. Price—The stocks will be sold at \$105 per unit consisting of one share of preferred and one share of common. Proceeds—To be used in organization of business.

● **Republic Pictures Corp., New York**  
Registration originally filed July 31 covered 184,821 shares of \$1 cumulative convertible preferred (\$10 par) and 277,231 shares (50¢ par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

● **Salant & Salant, Inc., New York**  
March 28 filed 240,000 shares (\$2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

● **Science Research Associates, Inc., Chicago**  
April 23 (letter of notification) 350 units of stock consisting of one share of \$100 par preferred and one share of 10 cent par common. Price—\$100.10 a unit. No underwriting. For development and expansion of business.

● **Scurry & Nixon, Inc., Greenville, S. C.**  
April 24 (letter of notification) \$71,974 of Class B common. Price—\$106 a share. No underwriting. For financing expanded operations.

● **Service Caster & Truck Corp., Albion, Mich.**  
April 10 filed 32,000 shares (\$25 par) \$1.40 convertible preferred and 53,962 shares (\$1 par) common. Underwriter—Smith, Burris & Co., Chicago. Price—\$25 a preferred share and \$10 a common share. Proceeds—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

● **Solar Manufacturing Corp.**  
March 19 (by amendment) filed 110,000 shares of 75¢ cumulative convertible preferred stock, series B (par \$5). Underwriters—Van Alstyne, Noel & Co. Price per share \$12.50. Proceeds—Net proceeds will be applied to redemption of bank loans and to cover part of cost of expansion program.

● **South Carolina Power Co., Charleston, S. C.**  
March 31 filed 200,000 shares (no par) common and \$4,000,000 first and refunding mortgage bonds, due 1977. Underwriters—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly). Price to be determined by competitive bidding. Proceeds—To reimburse its treasury funds expended for property improvements.

● **Southern California Edison Co., Los Angeles**  
April 15 filed 1,653,429 shares of cumulative preferred and 1,653,429 shares of \$25 par preference stock. Underwriters—First Boston Corp., New York, and Harris, Hall & Co. (Inc.), Chicago. Offering—Shares will be offered in exchange for outstanding Series B, 6%, and Series C, 5½%, preferred stocks in the ratio of one-half share of each of the new stocks for each share of old stock held. Unexchanged shares will be sold publicly through the underwriters. Price—Not less than \$28.75 a share. Proceeds—To redeem unexchanged shares of old stock and for new construction and improvement purposes.

● **Southern California Water Co. (5/13)**  
March 28 filed \$5,100,000 first mortgage bonds, due 1977. Underwriters—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.; Union Securities Corp. Proceeds—Part of the proceeds will be used to redeem \$3,762,000 of outstanding first mortgage bonds at 105¼. Balance will be applied to capital additions. Bids Invited—Bids for purchase of bonds will be received at office of Drinker, Biddle & Reath, 117 South 17th St., Philadelphia up to 11 a.m. May 13.

● **Standard Railway Equipment Mfg. Co., Chicago**  
March 28 filed 500,000 shares (\$1 par) common. Underwriters—Smith Barney & Co., New York; and The Illinois Co., Chicago. Price by amendment. Proceeds—Company will use proceeds from the sale of 135,000 shares to retire a \$1,500,000 bank loan. The remaining 365,000 shares are being sold by certain stockholders.

### ● Stanley Works, New Britain, Conn.

April 25 (letter of notification) 5,000 shares of common. Price, about \$60 a share. No underwriting. To increase working capital and for payment of bank loans.

### Starrett Corp., New York

April 22 filed \$2,686,000 5% collateral trust bonds, due 1966, and 31,200 shares (\$1 par) common. **Underwriting**—Company said it would pay 1% commission to brokers for soliciting exchanges and that all such brokers may be deemed to be underwriters. **Offering**—Securities will be offered in exchange for the company's presently outstanding 5% secured income bonds, series 1950, and its 4% collateral trust bonds, due 1966. The exchange will be in the ratio of \$1,000 of new bonds and 40 shares of common for each \$1,000 of secured income bonds, while the collateral trust bonds will be exchanged on a dollar for dollar basis with the new bonds. **Business**—Holding company owning all the stock of Starrett Brothers and Eken, Inc., engaged in construction of buildings.

### ● Stratton & Terstegge Co., Louisville, Ky.

April 24 (letter of notification) 1,487 shares of common on behalf of company and 1,562 shares of common on behalf of Walter Terstegge, a director. Price—\$64 a share. **Underwriter**—The Bankers Bond Co., Louisville. Company will use proceeds for working capital.

### Strauss Fasteners Inc., New York

March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at \$9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at \$10 a share. **Proceeds**—For additional working capital.

### Street & Smith Publications, Inc.

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

### Suburban Propane Gas Corp. (5/7-8)

March 28 filed 50,000 shares (\$50 par) cumulative preferred, convertible into \$1 par common prior to May 1, 1957. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—Company will use \$375,000 of proceeds to pay outstanding bank loan to National City Bank, New York, and \$250,000 to pay a short-term bank loan to Fidelity Union Trust Co., Newark, N. J. Balances will be added to working capital.

### Swern & Co., Trenton, N. J.

Aug. 28 filed 195,000 shares common stock (par \$1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. Price—\$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

### ● Syracuse Suburban Gas Co., Inc., East Syracuse, N. Y.

April 23 (letter of notification) \$25,000 5% cumulative preferred stock. Price—\$100 a share. No underwriting. For capital additions.

### ● Temprite Mfg. Co., Inc., Arkansas City, Kan.

April 28 (letter of notification) \$200,000 of common and \$100,000 of preferred. Price—\$100 per unit. No underwriting. For operating capital.

### Textron Inc., Providence, R. I.

Feb. 28 filed 300,000 shares (\$25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of \$3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of \$1,000,000 each, and for working capital. Offering date indefinite.

### Tide Water Power Co. (5/5)

Mar. 31 filed 157,868 shares (no par) common. **Underwriters**—Union Securities Corp. and W. C. Langley & Co. are selling the stock and also are the principal underwriters. They will engage others to sell the stock. Price, about \$9 per share. **Proceeds**—Proceeds go to the selling stockholders.

### ● Tilden Commercial Alliance, Inc., Brooklyn.

April 22 (letter of notification) 30,000 shares (\$10 par) class A stock. Price—\$10 a share. No underwriting. To increase working capital.

### Toledo (O.) Edison Co.

Oct. 25 filed \$32,000,000 first mortgage bonds, due 1977, and 160,000 shares of (\$100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with \$4,500,000 bank loan and if necessary, the \$5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of \$56,906,590, exclusive of interest and dividends.

### ● Tri-United Plastics Corp., Irvington, N. J.

April 25 (letter of notification) 30,000 shares of common stock (par 50c). Underwriting, none. Price, at market (about 25c). Stock will be sold through Bruns, Nordeman & Co., New York. Proceeds to selling stockholders.

### ● United Brick & Tile Co., Kansas City, Mo.

April 23 (letter of notification) \$25,000 5% cumulative capital stock on behalf of the Trinway Corp. and its parent, Amerex Holding Corp., both of New York. The shares to be offered at market in over-the-counter market.

### U. S. Television Manufacturing Corp., New York

Nov. 4 filed 200,000 shares (par \$1) 25c cumulative convertible preferred and 230,000 shares of common (par 50c). Price to public for preferred \$5 per share. Employees will be permitted to purchase preferred at \$4.50 per share. Of the common 30,000 shares are reserved for the exercise of warrants up to Jan. 15, 1950, at \$3.50 per share and 200,000 are reserved for the conversion of the preferred. **Underwriters**—Names by amendment. Price \$5 per share for preferred. **Proceeds**—For working capital and expansion of business.

### Upper Peninsula Power Co. (5/19)

March 6 filed \$3,500,000 first mortgage bonds, due 1977 and 10,000 shares (\$100 par) cumulative preferred stock. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly); Blyth & Co., Inc.; The First Boston Corp. Price—To be determined by competitive bidding. **Proceeds**—Company was organized Feb. 26, 1947 to acquire the capital stocks and assets of three Michigan operating utilities—Houghton County Electric Light Co., Copper District Power Co. and Iron Range Light & Power Co. The proceeds will be used in connection with this acquisition program. **Bids**—Bids for purchase of securities expected May 19.

### Utah Chemical & Carbon Co., Salt Lake City

Dec. 20 filed \$700,000 15-year convertible debentures due 1962, and 225,000 shares (\$1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. Price—Debentures 98; common \$3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital.

### Vauze Dufault Mines, Ltd., Toronto, Canada

Mar. 31 filed 500,000 shares (\$1 par) common. **Underwriter**—Name to be filed by amendment. Price—50 cents a share. **Proceeds**—For general operating expenses.

### ● Vic Young Sporting Goods, Des Moines, Iowa

April 22 (letter of notification) 250 shares of preferred. Price—\$100 a share. No underwriting. To be sold through officers of company. For purchase of inventory, establishment of place of business and for working capital.

### Victory Gold Mines Ltd., Montreal, Canada

Nov. 13 filed 400,000 shares (\$1 par) capital stock. **Underwriter**—None as yet. Price—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

### ● Walker Vitamin Products, Inc., Mt. Vernon, N. Y.

April 23 (letter of notification) 400 shares of Class B common on behalf of Theodore Blanchard, a director of the company. Price—\$10 a share. To be offered through Billings Olcott & Co., New York, as broker.

### Weber Showcase & Fixture Co., Inc., Los Ang.

Mar. 31 filed 87,010 shares (\$5 par) common. **Underwriters**—Name to be supplied by amendment. **Offering**—Of the total, 16,671 shares will be offered for subscription to Weber's common stockholders on the basis of one new share for each five presently held. The remaining 70,339 shares will be offered publicly through underwriters. Price by amendment. **Proceeds**—To reduce bank loans and to retire a purchase money trust deed note.

### Western Air Lines, Inc.

Nov. 27 filed 1,200,000 shares (\$1 par) capital stock. **Underwriter**—Dillon, Read & Co. Inc. Price by amendment. **Proceeds**—Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds estimated at a minimum of \$6,500,000 together with a \$7,500,000 bank loan, toward payment of its promissory notes and to finance company's equipment and facilities expansion program now under way.

### Western Electric Co., New York

April 16 (letter of notification) 1,500,000 shares (no par) common. To be offered for subscription to stockholders of record May 27 at \$40 a share. Rights expire June 27. No underwriting. To reduce indebtedness and to reimburse its treasury.

### Whites Auto Stores, Inc. (5/5-15)

Feb. 25, filed 50,000 shares (\$1 par) common. **Underwriters**—First Colony Corp., New York, and Childs, Jeffries & Thorndike Inc., Boston. **Offering**—Of the total common 5,000 shares are reserved for offering to employees. Price—By amendment. **Proceeds**—Stock is being sold by the four officers and directors. [\$1,000,000 12-year debentures filed at same time being withdrawn having been replaced by private loan from three insurance companies.]

### ● Wiremold Co., Hartford, Conn.

April 24 (letter of notification) 11,000 shares of 5% cumulative preferred (\$25 par), Series A. Price—\$26.30 a share. **Underwriter**—Putnam & Co., Hartford. For new equipment and to increase working capital.

### Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares (\$10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

## Prospective Security Offerings

(NOT YET IN REGISTRATION)  
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

UNITED STATES GOVERNMENT,  
STATE, MUNICIPAL AND  
CORPORATE SECURITIES

BLAIR & Co.  
INC.  
NEW YORK

BOSTON • BUFFALO • CHICAGO • CLEVELAND  
PHILADELPHIA • PITTSBURGH • ST. LOUIS • SAN FRANCISCO

### ● Atlas Powder Co.

April 29 stockholders voted to increase authorized common from 450,000 to 700,000 shares (no par). Increase is designed to provide for possible new capital investment, retirement of indebtedness or general corporate purposes.

### ● California Electric Power Co.

May 13 stockholders will vote on creating a new issue of 500,000 shares of preferred stock and an increasing authorized common from 2,000,000 shares to 2,500,000 shares. Company proposes to issue 80,000 shares at this time, the proceeds to be used for expansion purposes. Probable bidders include Dean Witter & Co., Blyth & Co., Inc.; Otis & Co. (Inc.)

### ● Cities Service Co.

April 24 the SEC approved a plan for complete recapitalization. Under plan, company proposes to use treasury resources to pay off \$40,578,100 balance of its 5% debentures of 1950, and to offer a maximum of \$115,426,950 new 50-year 3% debentures in exchange for its preferred and preference stocks and discharge of all claims to unpaid dividends.

Under the terms of the exchange, preferred stockholders are offered new debentures totaling \$196.50 per share for the \$6 preferred; \$193.50 for the preference stock, and \$19.50 for the preference B stock, in satisfaction of par and accumulated dividends in each case. Company proposes to retire the remaining \$59,910,200 of its other 5% debentures, maturing from 1958 to 1969, with funds to be obtained from disposal of its holdings (Continued on page 58)

(Continued from page 57)

in the three remaining utility companies in the system. These utility holdings comprise 100% common stock ownership of Ohio Public Service Co. and Toledo Edison Co., and 65% of the equity in Federal Light & Traction Co. The preferred exchange plan is contingent for its consummation of acceptance by holders of 60% of the preferred stock. Dealers will be employed to effect exchanges.

#### ● Coast Counties Gas & Electric Co.

April 23 company has applied to California P. U. Commission for authority to issue 140,000 shares of 4% preferred stock series A (par \$25), of which 75,000 shares would be offered in Exchange for outstanding 5% preferred on share for share basis. Remaining 65,000 shares would be publicly offered through underwriters. Probable bidders include, Dean, Witter & Co.; Blyth & Co., Inc.; Otis & Co. (Inc.)

#### ● Goodall-Sanford, Inc.

April 30 stockholders voted to authorize an issue of \$4,500,000 4% sinking fund preferred stock (par \$100). Company, it is said, intends to sell the issue privately to a group of insurance companies. Funds will be used to retire \$4,059,500 3½% debentures due 1956.

#### ● Jones & Laughlin Steel Corp.

April 30, Ben Moreel, Chairman stated directors have given consideration to some financing, but the extent

and nature will be dependent upon decisions relating to a possible additional construction program. Probable underwriter, Union Securities Corp.

#### ● Lerner Stores Corp.

April 29 stockholders approved a proposed issue of 100,000 shares (\$100 par) cumulative preferred stock to finance retirement of 32,000 shares of 4½% outstanding preferred stock and \$4,500,000 of bank loans and to meet expansion costs. Merrill Lynch, Pierce, Fenner & Beane has been selected as underwriters.

#### ● Louisiana Power & Light Co.

April 25 company in its application to SEC to issue additional common stock to its parent at \$5 per share said that the money to be received (\$4,500,000) will not be sufficient to complete its expansion program and that it may sell additional first mortgage bonds under its existing mortgage. Probable bidders if publicly sold, Halsey, Stuart & Co., Inc.; Shields & Co. and White, Weld & Co. (jointly); Lehman Bros. and Kuhn, Loeb & Co. (jointly); Blyth & Co.; W. C. Langely & Co.

#### ● Nopco Chemical Co.

June 2 stockholders will vote on making a new issue of 50,000 shares of preferred stock issuable in series. Common stockholders shall have no pre-emptive right to subscribe to new preferred. Company was formerly

known as Nation Oil Products Co. Probable underwriter if offered publicly: Paine Webber, Jackson & Curtis.

#### ● Pacific Power & Light Co.

April 24 the SEC approved the merger of Pacific Power & Light Co. and Northwestern Electric Co. Incident to the merger, Pacific as survivor proposes: (a) to issue and sell \$29,000,000 first mortgage bonds, of which \$26,900,000 will be sold through competitive bidding; \$2,100,000 will be exchanged for a like principal amount of Northwestern's 4½% debentures due 1959, held by American Power & Light Co.; and (b) to issue and sell at private sale \$4,000,000 of serial notes, which will bear an interest rate not expected to exceed 2¼% per annum, payable in 20 equal semi-annual installments. Probable bidders for the first mortgage bonds include Halsey, Stuart & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.

#### ● Southern Pacific Co. (5/13)

Company will receive bids up to 12 Noon (EDT) May 13 for the sale of \$22,500,000 new San Francisco Terminal first mortgage bonds, series A, maturing June 1, 1975. The new issue, together with other funds will retire the currently outstanding \$24,767,600 of San Francisco Terminal 4s, due April 1, 1950. Bids will be received at office of J. A. Simpson, Treasurer, 165 Broadway, New York 6, N. Y. Probable bidders include Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.

## Freedom and Labor Monopoly

(Continued from page 14)

depends on the police preventing a lot of unpleasant, low-minded persons from breaking into my house, taking away my clothes and holding me up on Connecticut Avenue.

My freedom to buy things, or to make things, or to work with other people, depends on a government of law and order which prevents would-be tyrants and monopolists from forcing me to buy or not to buy, to make or not to make, to work or not to work, at their pleasure.

It ought to be understood, even by children in the United States, that "freedom" means that men are not subject to any arbitrary or despotic rule. But it does not mean that they need obey no rules, because, in order to be free, men must be subject to the rules which must be laid down and enforced by a representative government. Any rule of government that permits one class of men to do as they please, regardless of the injuries and restraints imposed on others, is not a rule of freedom. Such a rule of law grants a special privilege to the favored citizens and denies freedom to all the rest.

In the last fifty years, American businessmen have been educated at great public expense, and, despite their objections, to a general understanding that the freedom of business management does not include a freedom to monopolize commerce, a freedom to defraud or gouge customers, or a freedom to dictate wages and working conditions to unorganized, and individually helpless employees.

Not all businessmen have learned these lessons. Some of them still talk about "free enterprise" as though the managers and the properties which are protected by the public should be free from any obligation to serve public needs. Speaking broadly, however, businessmen do not talk the political nonsense they spouted in the Gay Nineties.

#### Theme Song of Labor Leaders

But, the theme songs of the half-civilized business managers of fifty years ago are now sung lustily by the half-civilized labor managers of today. They are filling the air with highfaulutin nonsense about the freedom of labor being destroyed if we deprive a labor union of the power to destroy the freedom of everyone else.

Man is supposed to be a reasoning animal; and yet men today are actually arguing that John L. Lewis and his gang should be granted freedom to freeze and starve 135 million people into submitting to their demands, freedom not only to quit working and still remain employees, but also

freedom to prevent other men from doing the essential work which they refuse to do.

While I'm on this subject, let me make it plain that whether labor or management is right or wrong in a particular dispute should have no effect upon the legal duty of both parties to settle their disputes peacefully and without inflicting injuries on other people.

That is a fundamental obligation of all citizens in a civilized society. No one can be granted freedom to organize private force and to compel others to accept his dictation, if we are to preserve equal freedom for all. We organize public police forces for the very purpose of compelling men to submit their disputes to the compulsory arbitration of Courts of Justice—and of preventing them from using private force to coerce their opponents.

Now there is another phrase that needs an accurate definition. What is "compulsory arbitration"? It is the enforcement of public law for the settlement of private disputes.

Is that necessarily a wicked and tyrannical procedure?

No. No. That is the essence of the "administration of justice," upon which rests the entire structure of an orderly society.

But, we are told that the "compulsory arbitration" of labor disputes would be an unthinkable tyranny.

We are told that both business managers and labor leaders are opposed to "compulsory arbitration"—and generally speaking that is true. In fact, they cannot be blamed for opposing the man-eating dragon they conjure up and call "compulsory arbitration."

But "compulsory arbitration" is a meaningless phrase until you define it by laying down a program of legal rights and duties and a procedure for their enforcement. A "law" may be an edict of oppression. A "court" may be an instrument of tyranny. But our faith in government stands or falls on establishing just laws and impartial courts for their enforcement.

There should be no "compulsory arbitration" of labor disputes that would destroy or even discourage collective bargaining. But that is just what we have been suffering. The need of the hour is to reestablish collective bargaining and voluntary agreements for the settlement of labor disputes and to end the compulsory arbitration of these disputes by brutal uses of private force. When a labor union or an employer wins a pitched battle in a hard-fought strike or lockout there is a compulsory arbitration by private force. The same men who are demanding freedom from public compulsion are using their free-

dom to compel others to submit to their private dictation.

Can it be argued that contests of brutal power will bring economic justice but that submission to a public law and to public tribunals will bring economic tyranny? This is nothing less than a medieval argument in favor of trial by combat. Yet those advancing it call themselves "liberals."

There is another word demanding a definition.

In the bright lexicon of labor forums a "liberal" is a person who will stand for anything that carries a union label, and will oppose anything that hasn't the union label.

This "liberal" is an ardent defender of civil liberties, unless a mass picket line is engaged in destroying them.

This "liberal" is an enemy of organized crime and racketeering, unless they are organized and operated as a labor union.

This "liberal" is the unrelenting foe of private monopoly, unless it is a labor monopoly, in which case he claims that the right to monopolize is guaranteed by the Constitution.

This "liberal," according to popular definition, is simply a blind, gullible partisan of anyone or any program carrying a union label.

Fathers and mothers, who have children in schools infested with such "liberal" teachers, should pray night and day that their loved ones may grow up to be strong-minded radicals or reactionaries, materialists or idealists, communists or individualists, but—please! please! don't let them group up to be weak-minded "liberals" who will swallow any kind of adulterated food or poisonous liquor so long as the can or the bottle bears a union label.

#### Opposition to Labor Union Regulation

One of the chief offenses of many of these "liberals" against a rule of justice under law is their irrational and pusillanimous opposition to every proposal that labor unions and their members should be subject to the same sort of laws that require good behavior by all other citizens and organizations. They join the special pleaders in arguing that special privileges and immunities that have been viciously abused should be continued. They argue that no court should issue an injunction against a labor leader or a union. Why not? Is an order of court which requires men to do right or to cease doing wrong—is such an order essentially an evil thing?

Here we need a definition—not to explain what an injunction is, but to explain why labor parti-

sans sometimes call it an evil thing and sometimes a good thing.

If you read the Wagner Act you will learn that it is a good thing for the NLRB to issue a "cease and desist" injunction against an employer and then have it enforced by a court.

But if you read the Norris-LaGuardia Act you will learn that it is an evil thing for an employer to get an injunction against a labor union, even to protect him from irreparable injuries inflicted by plain violations of law.

If you read the flaming, sobbing, vituperative protests of Green, Murray and Lewis against "government by injunction" you may be convinced that no court should be trusted with the power ever to order a union to do or not to do anything.

Yet the law reports are full of cases where the unions have appealed to the courts to issue orders—to issue these hateful injunctions against their opponents.

I remember one time defending an A. F. of L. union in Chicago against an injunction suit brought by a local lodge against the parent organization. The suit was really a contest between a local leader who had become wealthy by what is sometimes called "legal graft" and another local leader who was trying to get rich by the more vulgar use of guns and brass knuckles. In labor lingo an injunction is only an evil thing when it is issued against you. It is a shining sword of justice when it is issued for you.

The Wagner Act has had a peculiar charm for labor leaders and their "liberal" satellites because under it no injunctions could be issued against labor unions but a magnificent flock of injunctions could be issued in behalf of labor unions.

#### Inconsistency of Claims

You may gather from what I have been saying that in my judgment one great cause of public confusion in the discussion of labor problems is the inconsistent way in which the same words are used by partisans in arguing their claims. We should be able to look to institutions of higher education for moderators who would at least try to provide reliable definitions of common terms and insist that partisan debaters cease to abuse the English language even if they continue to abuse the patience and confidence of their listeners. Unfortunately many of our torch-bearers have brought in more smoke than light.

In aid of greater clarity of expression I will venture today to provide a word to designate fairly those who, by indiscriminate opposition to corrective labor legislation, are now engaged in trying to prevent the reestablishment of an orderly society in the United States and who are playing an

active part in undermining our free economy and our democratic government.

#### Labor As Autocratic Ruler

A large majority of our people and a large majority of their representatives in Congress have come to understand that we cannot preserve our economic and political institutions and individual freedom by substituting labor leaders for captains of industry as the autocratic rulers of business and government. Any economic or social class that seeks or threatens to dominate the lives of a people who would remain free must be compelled by their government to subordinate class interests and self-advancement to the overriding public interest and the progress of the people as a whole.

We cannot rely on the good will and self-restraint of those who preach ill-will constantly and seldom practice self-restraint.

The labor leaders of America are not wholly responsible for policies and practices that have alienated public support. Beset by irreconcilable employers on the right, and troublemaking communists on the left, harassed by rival leaders and organizations, under constant pressure from a rank and file worried and confused by extraordinary economic uncertainties, our labor leaders have had no easy task; and all too many have been incapable of mastering a difficult, complex job.

Let it be not only admitted but asserted that the great majority of labor leaders and trade unionists are not consciously antagonistic to the government or the institutions which they have been undermining. Because of that conviction, I have no patience with those who cry out fearfully or threateningly that the wage earners will not obey the laws of their government if laws are passed which reasonably require both employers and employees to make one of three choices—one, to settle their disputes peacefully, or two, to end their relations peacefully and permanently, or three, to submit to an impartial arbitration of their disagreements.

#### Labor Has No Privilege to Disobey Laws

It is the lawful privilege of all Americans to test in the courts the validity of any laws that may affect them. It is not the lawful privilege of any citizen to refuse to obey the laws, or to set up private force to resist the public force of his government. I think labor bosses and their political allies misrepresent and defame their own constituents when they threaten that American workers will engage in insurrections against their own government. There may be rash, sporadic revolts, encouraged or inspired by the professional enemies of a free society; but I would stake all my

hopes of Paradise (which, however, isn't a very large stake!) on my faith that the masses of American wage earners will support, not grudgingly but willingly, the laws of the United States which are enacted by the representatives of all the people for the benefit of all the people.

Not every proposed remedy for lawlessness and irresponsibility in labor relations is wisely drawn. But the blame for needlessly drastic or harsh legislation must rest heavily on all those labor partisans who have stubbornly refused to acknowledge evils that demand a remedy and refused to cooperate in making necessary revisions of existing labor laws.

In this critical time we need a word to assist us in identifying and carefully choosing our political associates. We need a word to define all those who, whether wilfully or misguidedly, insist on perpetuating the industrial warfare which is steadily weakening the foundations of our free economy and democratic government. These conscious or unconscious allies include both well-meaning and malevolent labor leaders, a swarm of treacherous communists, and a large number of gullible "liberals."

No new word need be coined to designate them. There is an old one which applies exactly. These men are the "sappers" of our economic and political strength. They do their bit day by day helping to undermine the industries and the government of the United States. They are gradually breaking down our faith in law and order and our confidence

in the ability of a free people to govern themselves. And to any one of these who may protest angrily that he is only laboring for a freer, better, happier America, I would say—if that is your intention, in the light of what you are actually doing, the word may be shortened. You are something less than a "sapper." Let us say—just a "sap!"

## U. F. E. Asks Collective Bargaining Rights at Drysdale & Co.

(Continued from page 7) Mayor's Committee had announced that Mr. Schram had agreed to a continuation of the union's contract with the Exchange as though it had never been cancelled except that, at the union's own request, the 30-day cancellation clause was to be eliminated. The union consequently understood, it pointed out, that its contract with the Exchange had continued in force right along and no resignations from the union could be recognized. Through a serious omission, the Curb was not mentioned in the announcement of the settlement.

### Reach Compromise

The compromise on this issue that was finally reached after four hours of wrangling was that the contracts were, in effect, inoperative for two days, that is, from Sunday midnight, April 20, to Tuesday night, April 22, when the settlement on the A. M. Kidder & Co. matter was reached and that

any one who resigned from the union during this two-day period and notified the union to that effect would not now be expected to renew his membership in the union. The Mayor's Committee set May 10 as the final date for appeals on this matter, agreeing in substance to settle disputed cases of just who had resigned and who hadn't.

The union representatives and Mr. Truslow of the Curb signed the new agreement referring to this issue at once, but Mr. Schram and Mr. Coleman merely said they would recommend favorable action on the matter to the Board of Governors at a special meeting next morning. The board in due course did agree to the settlement. Martin Lacy, Jr., representing the Central Trades and Labor Council, AFL, was the chief spokesman for the union at the City Hall meeting. Just how many employees of the Exchanges are affected by the terms of the settlement is unknown. The New York Stock Exchange knows of only three possible resignations, but the union says that two of these have changed their minds. There were 50 or more resignations reported at the Curb, but the union says that

many of them, too, have decided to come back. According to the union, an officer of the union is the one who sought the resignations of Curb employees although he did not himself resign.

### UFE Files Petition

Meanwhile, it has become known that the UFE has filed with the New York State Labor Board a petition seeking recognition as sole collective bargaining agent for the employees of Drysdale & Co., stock and bond brokers of 71 Broadway. In effect, the filing of such a petition is tantamount to a request for an election among the employees of the firm. There will be no election if the firm should decide to recognize the jurisdiction of the union over its employees.

In an open letter to the UFE Tuesday, Peter Hawley, executive director of the Financial Employees Guild, CIO, asked for united action by both organizations against anti-labor bills now before

Congress. He asked for a meeting with representatives of the UFE to "work out joint plans of action in which we can take part together and arouse all financial employees to the dangers we face."

### Joins Bache Staff

Special to THE FINANCIAL CHRONICLE  
COLUMBUS, OHIO—David C. Walker has been added to the staff of Bache & Co., 16 East Broad Street.

### With R. S. Hays & Co.

Special to THE FINANCIAL CHRONICLE  
DURHAM, N. C.—Samuel J. Burrow, Jr., is with R. S. Hays & Co., Inc., 111 Corcoran Street.

### DIVIDEND NOTICES

THE UNITED STATES LEATHER CO.  
The Board of Directors at a meeting held April 30, 1947, declared a dividend of \$1.00 per share on the Class A stock payable June 16, 1947, to stockholders of record May 15, 1947.  
C. CAMERON, Treasurer  
New York, April 30, 1947.



A dividend of 65 cents per share on the Capital Stock, par value \$13.50 per share, has been declared, payable June 28, 1947, to stockholders of record May 29, 1947.

THE UNITED GAS IMPROVEMENT CO.  
JOHNS HOPKINS, Treasurer  
Philadelphia, Pa.  
April 22, 1947

### EATON MANUFACTURING COMPANY

Cleveland, Ohio  
DIVIDEND NO. 89  
The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c) per share on the outstanding common stock of the Company, payable May 26, 1947, to shareholders of record at the close of business May 6, 1947.

H. C. STUESSY  
Secretary & Treasurer  
April 25, 1947

### IOWA SOUTHERN UTILITIES COMPANY of Delaware

Dividend Notice  
The Board of Directors has declared a dividend of 25¢ a share on the Common Stock of the Company payable June 14, 1947 to stockholders of record June 2, 1947.

EDWARD L. SHUTTS,  
President.  
April 28, 1947.

### NEW YORK STOCKS, INC.

The following distributions have been declared on the Special Stock of the Company from Investment Income, payable May 26, 1947, to stockholders of record as of the close of business May 5, 1947.

Agricultural Series . . . . .	\$.07
Automobile Series . . . . .	.07
Aviation Series . . . . .	.06
Bank Stock Series . . . . .	.07
Building Supply Series . . . . .	.07
Chemical Series . . . . .	.08
Electrical Equip. Series . . . . .	.07
Food Series . . . . .	.10
Government Bonds Series . . . . .	.08
Insurance Stock Series . . . . .	.09
Machinery Series . . . . .	.08
Merchandising Series . . . . .	.16
Metal Series . . . . .	.09
Oil Series . . . . .	.11
Public Utility Series . . . . .	.01
Railroad Series . . . . .	.08
Railroad Equip. Series . . . . .	.08
Steel Series . . . . .	.08
Tobacco Series . . . . .	.16
Diversified Investment Fund . . . . .	.18
Diversified Industries Shs. . . . .	.10

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#### WANTED

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### DIVIDEND NOTICES

#### AMERICAN Standard RADIATOR & Sanitary

New York CORPORATION Pittsburgh

#### PREFERRED DIVIDEND

COMMON DIVIDEND

A quarterly dividend of \$1.75 per share on the Preferred Stock has been declared payable June 1, 1947, to stockholders of record at close of business May 23, 1947.

A dividend of twenty cents (20¢) per share on the Common Stock has been declared payable June 30, 1947, to stockholders of record at close of business May 23, 1947.

ROLLAND J. HAMILTON  
Secretary and Treasurer

#### The American Tobacco Company

111 Fifth Avenue New York 3, N. Y.

#### 167TH COMMON DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock and Common Stock B of THE AMERICAN TOBACCO COMPANY, payable in cash on June 2, 1947, to stockholders of record at the close of business May 9, 1947. Checks will be mailed.

EDMUND A. HARVEY, Treasurer  
April 29, 1947

#### THE BUCKEYE PIPE LINE COMPANY

30 Broad Street  
New York, April 29, 1947

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the outstanding capital stock, payable June 14, 1947 to stockholders of record at the close of business May 16, 1947.  
C. O. BELL, Secretary



#### Borden's

#### DIVIDEND No. 149

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of The Borden Company, payable June 2, 1947, to stockholders of record at the close of business May 12, 1947.

E. L. NOETZEL

April 29, 1947

Treasurer



#### COLUMBIAN CARBON COMPANY

#### One-Hundred and Second Consecutive Quarterly Dividend

A quarterly dividend of 50 cents per share will be paid June 10, 1947 to stockholders of record May 15, 1947, at 3 P. M.

GEORGE L. BUBB  
Treasurer

## Introduces New RR. Reorganization Bill

Representative Reed of Illinois offers in House new measure to replace one vetoed by President Truman at end of last Congressional session.

Representative Chauncey W. Reed (R.-Ill.) on April 28 introduced a bill in the House of Representatives (H.R. 3237) which would permit the removal of pending

railroad reorganizations from further proceedings under the Bankruptcy Act. A measure of this kind, commonly called the Wheeler Bill, because of its sponsorship by Sen. Burton K. Wheeler at the last session of Congress was vetoed by President Truman last Aug. 14 on grounds it failed to provide proper control after reorganization, and also failed to provide against forfeiture of securities and investments. The President also wanted lower interest rates fixed on new obligations and restrictions against excessive reorganization fees. Other provisions of the bill were passed by the President.

Congressman Reed's bill would require the courts to suspend bankruptcy proceedings under Section 77B of Bankruptcy Act if a carrier's earnings in the seven calendar years 1939-45, were suf-

ficient to meet its total fixed charges. The bill lays down methods the court is to use in determining income and in the event income in any of the seven years was insufficient to meet fixed charges for those periods, the court would take into account any income reported for Federal income and excess profits taxes together with a credit which would be given for any amounts deducted from income reports to cover wartime amortization in excess of 20% of cost.

The new bill also provides the conditions under which a railroad would be turned back to its securities holders and the processes of improving the reorganized carriers' financial structure. There are also provisions in the bill for reorganization of companies in future as well as pending proceedings.

## New York Bank Economist Says Business Trends Still Same as After World War I

(Continued from page 6)

last three weeks in the number of pairs of shoes manufactured in this country. Employment has been down for a month, too, not only in the textile industry but also in such luxury fields as jewelry and furs.

For two weeks now, too, the index of general business activity has remained steady. Likewise, prices in general have been holding steadily for three weeks. Holding steadily, however, does not mean a continuation of previous trends. It can be interpreted only as a very definite slowing up because the previous trends had been consistently over an extended period rather sharply upward. Ten days ago, prices of steel scrap, considered by some observers as a fairly reliable index of the general trend in business, dropped rather severely, something like \$2 and more a ton.

As the economist reasons it all out, prices were forced up right after the war by the unwillingness of buyers to wait until scarce commodities had become plentiful before entering the market. Buyers in their impatience for goods thus literally bid up prices to fantastic levels all around. Buyers are not as desperate for goods today as they were, however, and more goods are to be found upon the shelves of the stores. The existence of the large money supply, resulting from the generous extension of credit by the banks to the Government to finance the war, is no evidence by itself, either, that it will be used, the economist feels, and so can not enter in positive fashion into the calculations leading to predictions of things to come.

The unsettled condition of the European markets will have a strong tendency to depress economic conditions in this country, the economist thinks. This factor was not present in the situation

at this time after the last war. Hardly more than a year or so after the Armistice, for instance, Germany was already exporting a great volume of goods. Until the "Big Four" can reach agreement on what is to happen to Europe, the flow of American funds into potentially profitable investment abroad must be slower than it would otherwise be. With the exception of this European situation, and the fact that interest rates have been and are being kept at artificially low levels, the economist believes that underlying business conditions generally today are very similar to what they were after World War I and help to explain why business trends tend strongly to be the same.

It is not to be inferred from all that has been said above that the present evidence is absolutely conclusive that a depression is really upon us. Unfortunately as the economist insists, it can be only in retrospect that the fact of depression or the lack of it can be ascertained without the shadow of a doubt. Up to the present point, however, business trends since the war would seem to have followed paths practically identical to those over which business traveled after World War I.

## Vernon E. Kimball Is Now With J. Barth Co.

Special to THE FINANCIAL CHRONICLE  
SAN FRANCISCO, CALIF. — Vernon E. Kimball has become associated with J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges. Mr. Kimball was formerly manager of the municipal department for Weeden & Co.

## Our Reporter's Report

In point of volume the current week will go down in the records as one of the largest in underwriting history. This, however, is not because of any sudden rush in the number of new issues coming out, but rather reflects the unusual proportions of offerings coming on the market.

More than half a billion in new securities reached the public offering stage during the week, with the largest, by far, involving the sale of \$300,000,000 of State of Illinois Soldier Bonus bonds.

That issue, of itself, except for financing done by the U. S. Treasury, was the largest single piece of business ever undertaken by a single source, being half again as large as the \$200,000,000 issue floated by the State of Michigan a few weeks ago.

It was the type of issue, however, that had limited appeal, that is it was pointed definitely at banks, trusts and other institutions, where tax exemption is an important factor.

Meanwhile bankers were called upon to undertake the marketing of two large industrial issues, that of Consolidated Edison Co. of New York for \$100,000,000 of first mortgage bonds, and 750,000 shares of new no par value preferred stock sold for the E. I. du Pont de Nemours & Co.

The Consolidated Edison offering was the second step in its refinancing program while the du Pont offering was designed to provide needed additional capital for expansion purposes.

### Two Issues Today

With the du Pont financing expected on the market today it was a question of just how much of the 1,000,000 shares of the new stock registered with the Securities and Exchange Commission would be involved.

The company had already made it clear that a part of the issue would be taken by the employee's pension fund, and that the amount

for public offering would run between 700,000 and 750,000 shares.

Meanwhile another group of bankers was scheduled to bring out \$17,000,000 of 20-year debentures plus \$2,500,000 of serial debentures, due 1948-52 for Fairbanks, Morse & Co. Proceeds here would go for retirement of bank loans, purchase of certain properties and to increase working capital.

### Southern Pacific

It will be interesting to note the outcome of the current call by Southern Pacific Co., for bids to be submitted by May 13, on a projected issue of \$22,500,000 of San Francisco Terminal first mortgage bonds series A, maturing in 28 years.

The call for bids contains the proviso that no bid for less than 98% of the principal amount of the issue, plus accrued interest, will be considered. The last time a company fixed such a provision there were no bidders, it was recalled.

Competing groups also must specify the interest rate as well as the price for the bonds which will carry a sinking fund and be callable at any time by the company in whole or part on at least 45 days printed notice.

### Union Pacific Maturity

Railroad bond circles are pretty well satisfied that it is the intention of the Union Pacific Railroad to retire its July 1 maturity of \$100,000,000 of first 4% land grant bonds, by using treasury funds.

It is pointed out that the Interstate Commerce Commission has made it plain, that where possible, carriers should provide for maturing debts without recourse to new borrowing.

Union Pacific, it is noted, is strong in cash and equivalent, showing \$71,400,000 cash and \$139,400,000 in U. S. securities at the end of February.

Should the road use its cash resources to take up the approaching maturity, it is assumed that later in the year it will finance its large program of improvement and equipment buying through the sale of new securities.

### Direct to Buyer

A sizable piece of new financing, \$40,000,000 of 3% sinking fund debentures due in 10 years, was placed direct with investors this week by Remington Rand Inc.

The first direct placement of

such large proportions in some time, it put the company in funds to retire \$20,370,000 of outstanding debentures due 1960, and also to pay off promissory notes, due serially to October, 1953.

## With F. L. Putnam & Co.

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—George F. Hinchliffe is now connected with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange. Mr. Hinchliffe in the past was with Russell Dean & Co.

## With Gill Associates

Special to THE FINANCIAL CHRONICLE

TOLEDO, OHIO—Gill Associates, Inc., Secor Hotel, have added Arthur W. Amsler to their staff.

## Joins Vance Sanders Staff

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Rollin E. Morton has been added to the staff of Vance, Sanders & Company, 111 Devonshire Street.

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# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 165 Number 4590

New York, N. Y., Thursday, May 1, 1947

Price 30 Cents a Copy

## "We Cannot Compromise on Great Principles": Marshall

State Secretary Marshall, in report to nation on Moscow Conference, cites Russian opposition to proposals of Western powers. Accuses Russia of violation of Potsdam Agreement and of using propaganda "appeals to passion and prejudice." Sees disintegration forces at work in Europe and deplors peace delays. Holds Conference has clarified existing differences and cites Stalin's view of possible compromise.

Secretary of State George C. Marshall, in a report to the nation, broadcast over all radio networks on April 28, recounted the difficulties experienced by the Council of Foreign Ministers in their recent conference at Moscow, and, though expressing disappointment regarding the outcome, cautioned against undue pessimism and loss of patience.



George C. Marshall

The text of Secretary Marshall's address follows:

Tonight I hope to make clearly understandable the fundamental nature of the issues discussed at the Moscow Conference of Foreign Ministers.

This conference dealt with the very heart of the peace for which we are struggling. It dealt with the vital center of Europe—Germany and Austria—an area of large and skilled population, of

great resources and industrial plants, an area which has twice in recent times brought the world to the brink of disaster.

In the Moscow negotiations all the disagreements which were so evident during the conferences regarding the Italian and Balkan treaties came into sharp focus and remained, in effect, unsolved.

Problems which bear directly on the future of our civilization cannot be disposed of by general talk or vague formulae—by what Lincoln called "pernicious abstractions."

They require concrete solutions for definite and extremely complicated questions—questions which have to do with boundaries, with power to prevent military aggression, with people who have bitter memories, with the production and control of things which are essential to the lives of millions of people.

You have been kept well informed by the press and radio of the daily activities of the council. (Continued on page 8)

## The Business Outlook And Consumer Credit

By DR. M. R. NEIFELD\*

Vice-President, Beneficial Management Corporation

Reviewing conflicting opinions regarding business outlook, Dr. Neifeld maintains, although trend in 1947 has changed, the shake-down in retailing will not be too upsetting. Says buying generally will absorb production if prices and income are in balance and consumer credit is unhampered. Predicts all restrictions on consumer credit will be removed within year.

A business recession in the United States will begin before the year is out; it will run into 1948. That is the flat prediction in the March 22 issue of one well known weekly newsletter.



M. R. Neifeld

On the same date a rival newsletter stated just as flatly that the current economic situation is too strong to be set back by adverse factors. Capitalism, it went on to say, is showing the collectivists what dynamic production can really do.

Between these two extremes you can find all sorts of ideas about the business outlook. Some say that the safety valve in the economic system is already blowing off steam; that the recession is already under way. Some say that it is about to happen. (Continued on page 7)

\*Address by Dr. Neifeld before the New York Association of Small Loan Companies, Syracuse, N. Y., April 10, 1947.

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## As We See It

EDITORIAL

### "Inflation Is Here"

"Inflation is here." In these words a well known industrialist, once in excellent standing with President Roosevelt and his New Deal associates, describes a situation characterized by high and rising wages and material costs and in which he believes any such campaign as the so-called "Newburyport plan" is hopelessly doomed to failure.

Yes, inflation is here—possibly not inflation as conceived of by the popular mind, but inflation in a very real sense. It has been with us for a good long while past, and the procedures in vogue for combating or eliminating it must inevitably prove futile or much worse. They may modify or even eliminate some of the outward manifestations of an internal malady, but not one of them is even designed to attack the root of the evil of which complaint is made. They could even cause a depression, but a depression in these days and times, far from eliminating inflationary conditions as in the past, appears to be one of the very best means of making certain that they will be aggravated.

Of course, it is absurd to suppose that general price reductions in the finished goods branches of industry can continue to make headway so long as costs, particularly labor costs, in manufacture continue to rise. If the limits of such contradictory or opposing movements within the economy have not already been reached, they will be before long. It may be that the public will consent to pay the present high prices, or even higher prices for many of the things it wants, and business will go booming along until some months hence the labor unions demand further increases in wages—at which time it must be decided all over again whether the public has reached the point where it cannot or will not pay the prices asked of it. It could be, on the other hand, that

(Continued on page 4)

## Labor Thrives Best Under Private Enterprise

By D. B. ROBERTSON\*

President, Brotherhood of Locomotive Firemen and Enginemen  
Railway Brotherhood leader attacks government controlled and enforced labor participation in industrial management as smacking of Soviet "pattern," and upholds principle of observing and maintaining distinction between labor and management. Says difficulties have been bred by war controls and calls for return of voluntary labor-management relationship to private industrial processes. Scores hysteria in proposed labor legislation.

The Vetoing Soviets, in seeking world control, are reported to have from 14,000,000 to 20,000,000 actual slave laborers under armed

guards within barbed wire enclosures to help develop Russia's vast natural resources. These are not only the workers I have described. About three million of them are western European and Japanese prisoners of war. The others are men and women drawn from quotas of the Russian people who have been reported by the Soviet secret police to disagree with the dictatorship.

It is almost ridiculous to try to



David B. Robertson

compare the advantages we have in this country under free enterprise with the terrible controls over the Russian worker's life. I say, with all my power of emphasis, that we must continue to make the American system work. Free labor can only survive through freedom of enterprise.

### Deeper Holes of Chaos

The peacetime policy of government controlled and enforced labor participation in industrial management which is spreading throughout Europe today smacks too much of the first steps of the (Continued on page 10)

\*Part of an address by Mr. Robertson at 75th Anniversary Transportation Department Conference of the International Y. M. C. A., Cleveland Ohio, April 24, 1947.

## From Washington Ahead of the News

By CARLISLE BARGERON

The most controversial agency in Washington during the war, and the worst, was the OWI. Under the huge tent of Elmer Davis there was collected, perhaps, the greatest hodgepodge of pinks, blues, reds—all the hues of the political rainbow—the country has ever known. And with money to burn, they had a splendid time. The Conservatives in Congress were kept busy holding down their Leftist propaganda but every time one fountain was shut off, another would spring up.

A lot of people were crestfallen, of course, when the war came to an end. But nowhere was there more gloom as the crowds in the street went wild with enthusiasm, than among the OWI crowd. It meant the end of their monkeyshines.

Out of the desire of a lot of these fellows, artists and writers, to stay on the government payroll, there grew the agitation for a government sponsored peacetime propaganda to accompany the global leadership we had assumed. We had spent millions



Carlisle Bargeron

for propaganda against the enemy during the war, it was argued, it would be absurd not to spend millions for propaganda in peace. Thus came the Office of International Culture in the State Department, just a little \$31 million a year item. It has proven a haven for second rate writers and artists whose salaries together with allowances abroad, run up to \$17,000 a year.

Well, it looks as though the OIC is on the way out. It will be the cause of the next outcry against the Republican budget cutters. And the anguish in this instance will know no bounds because the OIC is a baby of the intellectuals. The Republicans will be called stupid, backward, hillbillies, reactionaries and whatnot; they will be depicted as utterly lacking in appreciation of the finer things of life.

Indeed, the attack has already started, notwithstanding that the (Continued on page 16)

## Protests Increased Mail Rates

Commerce and Industry Association sees inconsistency in bill to raise postage charges and President's request for reduced prices. Says higher rates may lead to lower postal receipts.

Although President Truman has requested business to reduce prices, the Post Office Department is seeking to increase its mail rates, a procedure which would diminish rather than enlarge its revenue, the Commerce and Industry Association of New York, Inc., points out in reporting its opposition to the Rees Bill "and all other pending legislation now before Congress materially increasing postal rates."

Citing the proposed increase in parcel post rates, the Association's Committee on Postal Affairs, in a report approved by the Executive Committee, pointed out that the effect of such higher rates "would be reflected immediately in the mail order business which largely supplies the 57,000,000 persons in the nation living in the rural areas."

"As it is a practice of mail order houses to sell for a specified price, plus postage, it cannot be disputed that an increase in the parcel post rates would raise the cost to the ultimate consumer in these rural areas of merchandise delivered to them through the parcel post service," the report added, continuing:

"In addition, it is proposed to increase the price of money orders and C. O. D. collection charges so that in the rural areas the farmer would receive a double boost in delivery costs. The rural population is a very substantial buyer of merchandise manufactured in the cities. When the farmer stops buying, mills close down, payrolls decrease and income tax payments dry up. Both the rural and urban population will be adversely affected. Instead of aiding the President's plea to reduce prices, increases in parcel post rates would hinder such a program."

While proponents of the Rees Bill attempt to justify higher rates by claiming a departmental deficit of \$148,000,000 in 1946, the Association pointed out that "this sum includes the expense of mailing free governmental and 'franked' mail which is estimated to cost \$100,000,000, so that the actual deficit would be but \$48,000,000" and observed that "even this deficit could be materially decreased if the Post Office Department reduced its large number of temporary employees employed during the war and effected rigid economies."

With particular reference to the Rees Bill, the Association noted that it "substantially increases all postal rates except the rate on first-class letters and thereby places an additional expense upon the nation's system of distribution and the cost of advertising as well as upon subscribers to magazines, newspapers and periodicals, purchasers of money order and parcel post shipments."

As an example, it was found that while delivery of a New York daily newspaper through the mail in Manhattan and the Bronx now costs one cent, the proposed rates would jump it to four cents. Proportionately increased would be postal charges on magazines, catalogs, postal money orders, parcel post, C. O. D. collections and registered mail.

Additional reasons given by the Association for opposing the projected higher rates were:

"There are millions of advertisements published during the course of the year, recommending that the customer use the mails to purchase merchandise. This advertising increases first-class mail, postal money orders and the parcel post. Where dissemination of newspapers, magazines and periodicals is curbed as a result of exorbitantly high rates as proposed in this bill, the Post Office Department loses the advantage of a substantial part of this advertising and can anticipate reduction in demands for the postal service."

"Reports filed by publishing associations indicate that the present postal rates are so high that other means of distribution are being increasingly used. These publishing associations state that while the circulation of national magazines has materially increased in recent years, circulation through the mails has decreased as the magazines seek to reduce their costs of distribution by using other methods of delivery. Increased postal rates will accelerate this trend."

"Second and third-class mail is carried as an adjunct to first-class mail and is handled after first-class mail is disposed of. To drive second, third and fourth-class mail from the post office to other means of distribution by increased postal rates would not materially reduce the expenses of operation of the Post Office. Substantially all postal employees would continue to be required to handle first-class mail and such second, third and fourth-class mail as remained."

Recalling that it has been the philosophy of the government, with public support, to deliver newspapers, magazines and periodicals at a rate not to produce revenue, the Association asserted that such distribution, by permitting purchase of reading matter at reasonable rates, adds to the education of the public—"essential and necessary for the educational growth of our people."

"This Association believes," the report concluded, "that these postal increases would result in diminishing returns to the Post Office rather than additional revenue—a 'killing of the goose that lays the golden egg.'"

## Financial Group to Meet

The semi-annual dinner meeting of the financial markets group of the American Statistical Association will be held in early June in New York City, Leo H. Rich, chairman of the financial markets committee, announced. Several hundred members of the business and financial community are expected to attend.

Problems confronting the group which require discussion were outlined at a committee meeting April 22 in Mr. Rich's offices at One Wall Street. It was specifically asked: (1) has the Federal Reserve Board abdicated its function in the nation's monetary system; (2) what will be the relation of the financial markets to the new World Bank; and (3) what progressive trends are evident in railroads and industry? Speakers have been invited to the June meeting who can answer these questions.

Committee members for 1947 who will handle arrangements for this gathering, in addition to Mr. Rich, include: Robert W. Bachelor, American Bankers Association; Waite S. Brush, Consolidated Edison Company; William W. Cumberland, of Ladenburg, Thalmann & Company; A. T. Falk, Advertising Federation of America; Stacy May, International Basic Economy Corporation; H. V. Roelse, Federal Reserve Bank of New York; Bradford Smith, United States Steel Corporation; Hans D. Wideman, of Carl M. Loeb, Rhoades & Company; and Miss Hellen Slade, President of the New York chapter of the A. S. A.

## Hemingway Heads Div. Of Foreign Trade Conv.

W. L. Hemingway, Chairman of the Board of the Mercantile-Commerce Bank & Trust Co. of St. Louis, will serve as Chairman of the St. Louis committee of the 34th National Foreign Trade Convention to be held in St. Louis, October 20, 21 and 22, it was announced on April 21 by the National Foreign Trade Council. In making the announcement Eugene P. Thomas, President of the Council, stated:

"Holding the 34th National Foreign Trade Convention in St. Louis will serve to emphasize the importance of sound and expanding American foreign commercial relations not only with respect to Mississippi Valley business prospects but to the nation as a whole. The Council is receiving with great pleasure the fullest measure of support from the St. Louis business community during preparations for this annual convention."

Serving as Vice-Chairman of the St. Louis committee are August A. Busch, Jr., President, Anheuser-Busch, Inc.; Arthur G. Drefs, President, McQuay-Norris Mfg. Co.; Clifford W. Gaylord, President, Gaylord Container Corp.; Byron A. Gray, President, International Shoe Co.; Frank M. Mayfield, President, Scruggs, Vandervoort & Barney, Inc.; William M. Rand, President, Monsanto Chemical Co., and George C. Smith, President, St. Louis Chamber of Commerce.

The executive committee of the St. Louis committee is composed of Mr. Hemingway as Chairman; John L. Gillis, director, foreign department, Monsanto Chemical Co., Vice-Chairman; H. F. Boettler, Vice-President, First National Bank, Treasurer; W. J. Bramman, President, St. Louis Clearing House Association; Dudley French, Vice-President, Graham Paper Co.; Leo C. Fuller, Chairman of the Board, Stix, Baer & Fuller Co.; Lachlan Macleay, President, Mississippi Valley Association; F. Edward O'Neil, President, Export Managers Club of St. Louis, and Julius S. Schweich, Chairman, Foreign Trade Bureau, St. Louis Chamber of Commerce. Max L. Piliard, Director of the Foreign Trade Bureau, is Secretary of the St. Louis committee and of the executive committee.

Registration for the convention will be handled through the National Foreign Trade Council, 26 Beaver Street, New York, in accordance with established procedure. The Council will make subsequent announcements as arrangements are completed. Hotel reservation for all delegates to the convention are to be handled exclusively through the Housing Bureau, 34th National Foreign Trade Convention, 910 Syndicate Trust Bldg., St. Louis 1, Mo.

## Rep. Norman Dies

The death of Representative Fred Norman (R., Wash.), who was 67 years old, was announced at Washington on April 18, an Associated Press dispatch stated, adding that his death was attributed to a heart attack. Mr. Norman, a merchant of Raymond, Wash., first elected in 1942 to the 78th Congress, was again elected last year for a second term from his State's third district. On April 21 the House adjourned out of respect to Representative Norman's memory.



W. L. Hemingway

## Treasury Permits Bidders for Treasury Bills To Obtain New Issues on Exchange Basis

Secretary of the Treasury Snyder announced on April 25 that beginning with the issue of Treasury bills to be dated May 1, 1947, and until further notice, "the Treasury will invite tenders for bills in exchange for maturing bills as well as for cash, with equal treatment accorded all tenders, whether the bidders offer to exchange maturing bills or to pay cash for the new bills bid for." "Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills," said the announcement, which added:

"The bills to be dated May 1 will be in the amount of \$1,100,000,000, about \$200,000,000 less than the amount maturing on that date."

"The procedure for accepting exchange as well as cash tenders is being adopted to facilitate weekly refunding operations in bills. The bill holdings of the Federal Reserve Banks recently were \$15 billion out of a total of \$17 billion outstanding. Under existing procedure, the Federal Reserve Banks replace their weekly maturing bill issues, in large part, by purchasing new issues from security dealers, who ordinarily bid for amounts greatly in excess of market needs. This is done solely to facilitate the bill operation, as the dealers charge no commission for this service, and obtain only the nominal profit from the transaction which is available to anyone. Under the new procedure the Federal Reserve Banks will be in a position to bid directly on an exchange basis for new issues in amounts not in excess of those required to replace maturing issues of bills originally acquired in the market. Any addition to Federal Reserve holdings of bills would be purchased in the open market as at present."

The following explanation in the matter was released at the same time (April 25) by the Federal Open Market Committee:

"The Treasury Department this week revised its Treasury bill offering circular so as to permit bidders for Treasury bills to obtain new Treasury bills by the exchange of an equivalent amount of maturing bills, to the extent that their tenders are accepted. Concurrently the Federal Open Market Committee has authorized the Federal Reserve Banks to place weekly tenders for bills in an amount not exceeding the amount of their weekly maturities. The Federal Reserve Banks will receive the same percentage allotment of bills as will other bidders at the same price. Acquisitions of bills by the Federal Reserve Banks, in this manner, will represent the replacement of bills originally purchased in the market and, like other exchanges of maturing securities for new securities, would not be subject to the limitation contained in subsection (b) of Section 14 of the Federal Reserve Act."

"No new credit will be made available to the Treasury by the Federal Reserve Banks as a result of this change in procedure, nor will new reserve funds be placed at the disposal of the banks of the country. Funds which have already been provided to the market through bill purchases will not be increased by this action."

"These related actions were taken to relieve a situation which has become less and less appropriate, as weekly maturities of bills held by the Federal Reserve Banks have increased, until recently they have ordinarily been more than \$1,100 million out of a total weekly maturity of \$1,300 million. In the past the market has taken all of each week's offerings of Treasury bills and has promptly sold to the Federal Reserve Banks that portion of the offering which it did not wish to hold. Thus the Federal Reserve Banks indirectly replaced part or all of their Treasury bill maturities. Such a procedure means

that the market places tenders for new issues of bills in amounts bearing no relation to market requirements, the excess being taken for the purpose of immediate sale to the Federal Reserve Banks. In these circumstances, a more direct method of replacing maturing bills held by the Federal Reserve Banks has been deemed desirable."

In our issue of April 17 (page 2116) reference was made to the announcement on April 9 by Secretary Snyder that the offering of Treasury bills on April 17 would amount to \$1,100,000,000; at the same time it was indicated that the total of bills maturing on that date was \$1,300,000,000, so that the amount outstanding would be reduced by \$200,000,000.

## Grimm Nominated for President N.Y. Chamber

Peter Grimm, Chairman of the Board of William A. White & Sons, has been renominated for President of the Chamber of Commerce of the State of New York, it was announced on April 26 by James G. Blaine, Chairman of the Nominating Committee. Mr. Grimm is now completing his first year as head of the nation's oldest Chamber of Commerce. The election will take place today (May 1) at the 179th annual meeting. William White, President of the Delaware, Lackawanna & Western RR.; George L. Harrison, President of the New York Life Insurance Co., and Harvey D. Gibson, President of the Manufacturers Trust Co., were nominated for Vice-Presidents to serve four years. The Committee renominated Arthur M. Reis, President of Robert Reis & Co., as Chairman of the Executive Committee. Jacob Aronson was named as a new member-at-large of the Committee and H. Donald Campbell and James T. Lee were renominated for similar posts. William J. Graham, Treasurer; William B. Scarborough, Assistant Treasurer, and B. Colwell Davis, Executive Secretary, also were renominated.

Robert W. Dowling, President of City Investing Co., was selected by Mr. Blaine's committee to be the first Chairman of the newly-created Committee on City Affairs. Others nominated to serve on the Committee were Richard E. Dougherty, Caswell M. Smith, Clarence L. Law, George McAneny and David L. Tilly.

The following were named for new Chairmen of standing committees: Robert M. Field, Foreign Commerce; Frederick W. Ecker, Taxation; John R. Davies, Arbitration; Charles K. Etherington, Education; Robert L. Hammill, Public Service in the Metropolitan District; Wandell M. Mooney, Public Health and Welfare; and A. V. S. Olcott, Law Reform. Renominated as Chairman: John M. Schiff, Finance and Currency; B. M. Grant, Internal Trade and Improvements; Lynn H. Korndorff, Harbor and Shipping; Theodore M. Riehle, Insurance; Herbert G. Wellington, Admissions. Frederick H. Ecker and William L. DeBost were renominated for members of the Board of Trustees of the Real Estate of the Chamber, and Phineas B. Blanchard for Commissioner for Licensing Sailors' Hotels and Boarding Houses.

## Steel Production Continues to Rise—Chances For Early Price Cut Dimmed—Scrap Again Off

"The groundwork was laid this week for a steel output performance that may rival 1944 when an all-time high of 89,600,000 tons of steel was produced," states "The Iron Age," national metalworking paper, in its issue of today (May 1), which further goes on to say:

"The coal mine problem is still in the picture but some sources believe there is a good chance of it being cleaned up by July 1.

"Steel production from Jan. 1 to the middle of this week totaled slightly more than 28,000,000 tons. This rate, if continued for a year, would turn out 30% more steel than in the peacetime year of 1939 and 39% more than in 1929 and only about 2% less than was produced in 1944.

"The steel rate for the country this week is up 1½ points to 96.5% of rated capacity and all signs point to a continuation of this high level for some time. At Pittsburgh steel operations this week are 103% of capacity and at Chicago the rate has climbed to 98%. At Buffalo activity is 102% and at Detroit, 102.5%.

"The steel industry this week got additional help in shouldering the new heavy wage bill when scrap prices at major centers slid off further. Average prices on heavy melting steel were off \$2.50 a ton at Pittsburgh, 75¢ a ton at Philadelphia and \$2.50 at Chicago. These declines forced The Iron Age scrap composite down to \$29.92 a gross ton, off \$1.91 a ton from last week's figure of \$31.83. This week's scrap composite is \$1.08 a ton less than the 1947 low of \$31 a ton touched on Jan. 7 during the upward movement of scrap prices.

"As expected, steel earnings for the first quarter of this year showed a substantial increase from fourth quarter figures but they do not reflect the new wage costs which are retroactive to the beginning of the second quarter. First quarter earnings reflected the full effects of base price and extra increases instituted during the latter part of December 1946 and early January 1947. Much of this is expected to be dissipated in the second quarter by high wage costs and some increases in the price of materials used by the steel industry.

"There was nothing in the picture this past week which indicated the probability of a basic cut in steel prices. Most companies do not yet know the full cost of the new wage agreement. Until that time—and it may take a few months—no firm can give consideration to lower steel prices. Customers have been exerting pressure on some steel firms to eliminate the sales price policy of 'price at time of shipment.'

"Keystone Steel & Wire Co. at Peoria, Ill., has notified its customers that second quarter shipments will be priced at no more than current steel quotations. Whether or not larger steel companies will return to the prewar policy of quarterly announcement of steel prices remains to be seen, but they are privately giving consideration to this problem.

"The current flow of steel to consumers has been so heavy in recent weeks that a continuation of this volume of shipments for the next several months will result in peak output of manufactured goods. By June or July many steel users should find almost a normal balance between supply and demand with the exception of some flat-rolled steel items.

"Hard pressed pig iron users can expect a better supply over the next few months. March pig iron output was close to 92% of capacity and April figures equaled or exceeded that figure. Some of this increase in iron output has been used for steelmaking but there has also been a significant increase in the amount of iron going into merchant trade channels. About a week ago at least 80% of pig iron users had no more than 10 to 15 days inventory."

The American Iron and Steel

Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 93% of the steel capacity of the industry will be 96.4% of capacity for the week beginning April 28, compared with 95.0% one week ago, 95.4% one month ago, and 67.7% one year ago. This represents an increase of 1.4 points or 1.5% over the preceding week. The operating rate for the week beginning April 28 is equivalent to 1,686,900 tons of steel ingots and castings, compared to 1,662,400 tons one week ago, 1,669,400 tons one month ago, and 1,193,100 tons one year ago. This was the seventh consecutive week in which operations have been scheduled above 90%. With the exception of the March 24 week, when the schedule was 97% of capacity, the current schedule is the highest since October, 1944.

"Steel" of Cleveland, in its weekly summary of latest news developments in the metalworking industry, on April 28 stated in part as follows:

"Steel wage settlement appears to have definitely removed the possibility of any immediate reduction in base prices on steel products. The wage increase, which in the case of U. S. Steel subsidiaries, averages out to around 16 cents per hour, will advance steelmaking costs an average of \$3.25 per ton of finished steel based on 1946 production of 53,073,421 tons requiring 1,082,250,000 man-hours.

"Increased worker efficiency and volume production may hold down the cost increment but indications are it will take some time before firm price policy can be charted based on performance. As a matter of fact, whether the steelmakers will be able to absorb the wage increase without raising prices remains to be seen, for not only are direct labor costs involved but impact of the wage increase on raw material and equipment costs will be substantial when the wage settlement spreads to suppliers.

"Government pressure for lower steel prices is expected to continue but it is believed likely such will have little influence in developing industry policy pending clarification of cost position as a result of the wage increase.

"Despite the blow to prospects for an immediate price reduction, however, trade observers continue to predict some easing in the price structure later in the year when demand comes more nearly into balance with supply. Here and there signs already are evident of easier supply conditions in certain products, such as alloys and specialties, but there is little chance of any substantial early easing in such items as flat-rolled sheets and strips, plates, bars and pipe. Expectations are easiness will first show up in the waiving of extra charges as competition for orders accelerates.

"Most sellers of major steel products are expected to open their books for third quarter business within the next two weeks. Indications are there will be less carry-over tonnage at the end of second quarter, especially now that a general steel strike has been averted, with the result consumer quotas may be a little larger next quarter. Whether actual shipments will be larger in such event will depend principally upon what develops with respect to coal mine labor trouble July 1 when the mines are returned to private ownership. Some steel trade leaders view the

outlook for labor peace in the mines pessimistically.

"Removal of the strike threat in basic steel assures high steel operations through June. Independent steelmakers are expected to follow U. S. Steel in arriving at terms with their workers. However, working out of settlements with steel fabricating companies which have contracts with the United Steelworkers may run into a snag with most of these firms insisting on settlements at the local plant level and with an eye to the competitive position of the individual company."

## Life Ins. Purchases In March Up 2%

Life insurance purchases in the United States in March showed an increase of 2% over purchases in the corresponding month of last year and they were 7% greater than the aggregate reported for February, it was reported recently by the Life Insurance Agency Management Association of Hartford, Conn. Total purchases in March were \$1,845,995,000, compared with \$1,816,315,000 in March of last year and \$1,292,337,000 in March, 1945. Purchases of ordinary life insurance in March were \$1,283,161,000, down 5% from March a year ago, but 47% more than the total in March, 1945. The advices from the Association continued:

"Industrial life insurance purchased in March amounted to \$381,519,000, an increase of 7% over the corresponding month last year and 26% over March, 1945.

"Group life insurance purchases were \$181,315,000 in March, an increase of 59% over March a year ago and 54% over the figure for March, 1945. These purchases represent new groups set up and do not include additions of insured personnel under group insurance contracts already in force.

"In the first three months of the year total life insurance purchases were \$5,305,963,000, an increase of 13% over the first three months of 1946 and 55% over the corresponding period of 1945. Purchases of ordinary life insurance accounted for \$3,698,933,000 of the three months' aggregate, an increase of 6% over last year and 57% over the 1945 total. Industrial life insurance purchases represented \$1,060,066,000 of the current year's total, an increase of 13% as compared with last year, while group life insurance purchases amounted to \$546,964,000, an increase of 117% as compared with the first three months of last year."

## Illinois Bankers Ass'n Convention to Be Held In Chicago May 19-21

The 56th convention of the Illinois Bankers Association will be held at the Palmer House, Chicago, May 19, 20 and 21. Officers for the ensuing year will be elected and action taken upon reports of the activities of the Association, and upon the annual report of the Council of Administration, including the proposed amendments to the Constitution and By-Laws, and the Declaration of Policy to govern the conduct of the Association for the ensuing year. An "Informal Reunion Party" will be held the evening of May 19. The first session of the convention will convene Tuesday morning, May 20, at 10 o'clock and the second session at 2:30 p. m. The annual dinner will be held that evening. The final session will convene on Wednesday morning, May 21, followed by the inaugural luncheon at noon. Barney J. Ghiglieri is President of the Association and Harry C. Hausman is Secretary. The office of the Secretary is at 105 W. Monroe St., Chicago, Ill.

## The State of Trade

Events of the past week should pave the way for more peaceful relations between management and labor and greater stability of production in the months ahead. With the recent consummation of four major collective bargaining agreements covering more than 250,000 workers, a repetition of the country-wide disruptive cost-of-living strikes of one year ago appears largely to have been removed.

These agreements follow closely the general pattern established by the United States Steel Corporation, two electrical manufacturers and one car manufacturer in their settlements with CIO unions, leaving the details of the accord reached on Wednesday of this week in the nation-wide telephone dispute involving 340,000 workers and which cast its dark shadow over an otherwise tranquil labor scene to be worked out.

With the return of the soft coal mines to the operators on June 30, next, government possession of the mines will come to an end and unless the miners have a contract with the operators it is felt production of bituminous coal will cease.

On Tuesday, last, the Southern Coal Producers Association declined to participate in any industry-wide bargaining conference with the United Mine Workers (AFL), but offered to negotiate a separate wage contract with the union. In setting forth its position, a spokesman for the Association stated that the other operators "are our friends but it must not be forgotten that they are also our competitors." John L. Lewis, head of the United Mine Workers Union, was displeased by the Association's action, but it was reported, he did not peremptorily rule out separate negotiations.

Of major importance was the General Electric Co. agreement announced on Monday of the current week, which granted to its 125,000 employees a wage increase of 11½ cents an hour with 3½ cents added by the inclusion of six holidays, raising the total to 15 cents an hour. Westinghouse Electric and the electrical division of General Motors had already assented to such an increase.

Other companies included the Chrysler Corp., employing 73,000 workers, which became the second of the "Big Three" auto companies to sign up with the CIO United Auto Workers Union on the 15-cent industrial wage pattern. General Motors came to an agreement with the union in its wage demand for 220,000 workers last Thursday night, while the Ford Motor Company employing 100,000, is the only major auto company that has yet to arrive at an agreement.

In the steel industry, the Jones & Laughlin Steel Corp., large independent producer, announced at Pittsburgh that final agreement had been reached on a new contract with the CIO United Steel Workers. The wage settlement with its 25,000 employees was similar to that negotiated by United States Steel and the union.

The fourth in a series of new agreements was that announced by the American Federation of Hosiery Workers (CIO), which received a 13-cent hourly wage increase for 10,000 hosiery workers throughout the country. This settlement was arrived at in negotiations with the Full Fashioned Hosiery Manufacturers of America, Inc.

It is significant that the general pattern established this year falls about 3½ cents short of the increases for which unions settled industry-wide strikes in 1946 and in arriving at the above agreements there was little or no threat of strikes.

Turning to reports of first-quarter corporate earnings now coming to hand, results are proving very encouraging, since the fig-

ures are measuring up to earlier expectations. However, the favorable showing made by the various companies, it is generally felt, represents their peak for the year and as to the question of how they will fare the remainder of 1947, that is problematical, due to the uncertainty of prices, inventories and other related factors. In any event the favorable results attained in the first quarter will serve to strengthen the financial position of these companies against future adverse developments.

In the week just passed total industrial output showed a fractional increase with production in many industries above or close to postwar peaks. Increases in the supplies of raw materials made it possible for a great number of industries to reflect high operating levels for the week, notwithstanding weather that was unfavorable for outside operations.

In the steel and coal industries a considerable improvement in labor conditions occurred and it was noted that employment in general was high.

The textile industry generally operated at a very high level last week. However, the small decline in purchasing by wholesalers has caused some woolen mills in the New England area to curtail production slightly. The cotton spinning industry in March operated at 125.4% of capacity.

The demand for building materials, automobile accessories and hardware remained heavy. Interest in furniture continued at a high level and requests for mahogany bedroom and dining-room sets were numerous though supplies in most localities proved inadequate. Shipments of washing machines, refrigerators and stoves improved moderately and buyer insistence on nationally advertised brands continued.

Consumer buying was spotty in the week and reports from most areas indicate that total retail volume declined slightly from that of the previous week. Dollar volume was about even with the high level of the corresponding week a year ago. Clearance sales continued to attract many shoppers.

A moderate rise in the number of reorders caused total wholesale volume to rise slightly in the week and dollar volume remained moderately above that of a year ago. Shipments of many previously scarce durable goods improved moderately though buyers continued to be hesitant about placing orders for future delivery.

**Steel Industry**—The steel scrap market last week broke sharply in practically all consuming centers in the country, according to "The Iron Age," national metalworking paper. At Pittsburgh, the major, steel center, heavy melting steel scrap prices took one of the biggest nosedives in history. Quotations there early in the week dropped an average of \$5.25 a ton. At Philadelphia, heavy melting grades were down \$3 a ton. Other declines included Buffalo, \$4 a ton; Birmingham, \$3 a ton; New York and Boston, \$2.50; Cleveland and Youngstown, \$2, and Detroit, \$1 a ton. Average prices were off 50¢ a ton at Chicago, but a greater reaction is expected there this week.

"The Iron Age" scrap composite prices, which includes the averages of Pittsburgh, Philadelphia and Chicago heavy melting quotations, declined the past week to (Continued on page 11)

## As We See It

(Continued from first page)

those are right who insist that a critical point has already been reached, and that industry must even now reduce prices or curtail. The truth may lie somewhere between these two extremes.

### No Cure for Inflation Here!

The important point is that in none of these cases under present public policy will the situation be improved as respects inflation. In any of these cases the last may well be worse than the first so far as underlying inflationary conditions are concerned, and it is these underlying conditions—not the willfulness of this or that group in the business community—which control. Strangely or not, these rather elementary truths are apparently seldom fully realized or understood even by many who should not be befuddled. The reason may be that current discussions become so entangled with the numerous constantly changing surface developments consequent upon these underlying conditions. But facts are traditionally stubborn things, and so are the "laws" of economics. These latter continue to operate whether they are understood or even recognized or not.

Let us turn to the record. It should be enlightening. It is a commonplace that during the half decade or more immediately preceding the war, large additions were made to the "money supply." It is even more widely understood, perhaps, that this process was raised to the nth power during the war years. It can scarcely be a secret known only to a few that as a consequence the end of the war found the public, including, of course, business enterprises, in the possession of unprecedentedly large amounts of what Washington is so fond of calling purchasing power—i.e., currency and bank deposits. Whether or when these funds would come into the market in large amounts, bid prices up, and distort the inner relationships of prices was from the first but a question of time. The current discussion about "inflation" largely centers around differences of opinion as to whether these funds will or will not be, for a time at least, withheld or withdrawn from the market—not whether there has been any elimination of these "fiat funds" and a consequent elimination of the real inflation in our economic system.

One might suppose, and, indeed, it would appear that many actually do suppose, that this process of pumping inflationary funds into the economic system came to a halt with the end of the war. So much has been said about the elimination or reduction of the working balances of

the Treasury by retiring obligations owned by the banks—much of it quite warranted praise of the Administration—that certain other related facts are completely overlooked. Let it be recalled that these "working balances" of the Treasury, or at least that part of them which were in excess of ordinary requirements of the Treasury, were not working balances at all. They were merely idle deposits in the ordinary banks for the account of the Government. The obligations, the retirement of which was effected with these deposits, were held by both ordinary banks and the Federal Reserve banks.

### Inflationary Reserve Action

The retirement of these short-dated obligations set off a series of chain reactions in the money market, some of which had no more than transient effect upon the supply of and demand for funds, while others vitally affected the money supply, strictly defined, so that these idle funds of the Treasury are excluded. This is not the place to undertake any detailed analysis of these processes. Suffice it to say that the action of the Federal Reserve authorities in promptly replacing its holdings of retired Treasury obligations made possible, nay encouraged, an expansion in the earning assets of commercial banks which in turn resulted, during 1946, in an increase of some \$13 billion in the effective money supply of the nation. Of course, it is hardly more than childish to talk of preventing, or even controlling, "inflation" when underlying changes of this sort are either encouraged or permitted.

Of course, it will be said at once by those who are more inclined to candor than politically-minded Washington, that such a course by the Reserve authorities was necessary to "protect" the rate of interest and thus the position of the Treasury, but no such reply can answer the question suggested by such a reply: Is it conceivable that both the interest rate and the Treasury can be protected in such a manner without virtually throwing up the sponge on the question of inflation? Very little reflection is required to bring one to the inescapable conclusion that inflation control is likely to be effective only if the Treasury is steadily reducing its obligations and taking what steps are necessary to get more and more of them into non-banking hands. Yet whatever debt reduction is occurring, or is expected, was not planned that way and will be more a product of good fortune than

good management. It will be relatively small in any event.

### Excision of New Deal Essential

If it be asserted, as it is often asserted, that any vigorous effort to get back to a sound money supply situation would almost inevitably bring on retrenchment all round and perhaps a severe depression, a completely adequate reply is available. Let the New Deal and its evil works be expunged from the statute books of the nation and no need of fear of such a depression would exist!

Yes, inflation is here—and will remain until sweeping changes are made in public policy.

### Philadelphia 1948 Site Republican Convention

The Republican National Committee has selected Philadelphia as the site of the 1948 Republican national convention which will be held during the week of June 20, 1948, Associated Press advices from Kansas City, Mo., stated on April 21. Choice of the convention city ended the Committee's formal business. Although some consideration was given to Chicago as a likely site, it was apparent from the outset, it is said, of the Committee's deliberations that Philadelphia would be chosen. The Pennsylvania city won on a roll call by almost three to one, 72 to 26, after which the National Committee made the selection unanimous.

Atlantic City, N. J., had also invited the convention, but it was understood that this possibility would only be considered if a deadlock had existed in the choice between Philadelphia and Chicago. A major factor in the Philadelphia victory was the offer by the Philadelphia committee of a contribution of \$200,000 and free use of Convention Hall, with a promise that \$50,000 more would be raised for entertainment of the delegates and alternates. Another inducement, it is stated, was the guaranty of hotel space for an unlimited period.

### SEC Adds New Item To Security Sale Form

The Securities and Exchange Commission on April 10 announced the amendment, effective May 1, 1947, of Form U-6B-2, a certificate of notification prescribed in connection with the issue and sale of certain securities pursuant to Sections 6 (b) and 3 (d) of the Public Utility Holding Company Act of 1935 and Rules U-20 (d) and U-47 thereunder. The amendment adds a new item to the form which calls for a statement of the application of proceeds of the securities specified therein. The text of the Commission's formal action follows:

"The Securities and Exchange Commission, acting pursuant to the Public Utility Holding Company Act of 1935, particularly Section 20 (a) thereof, deeming the following amendment of Form U-6B-2 appropriate to carry out the provisions of the Act, and considering such amendment to be procedural in nature and not to be subject to the requirements of Section 4 (a) (b) (c) of the Administrative Procedure Act, hereby amends Form U-6B-2, effective May 1, 1947, to renumber items numbered 11, 12, 13 and 14 as items numbered 12, 13, 14 and 15, respectively, and to include the following item:

"Application of proceeds of each security."

## Issues Charts on Texas Population Growth

Second National Bank of Houston gives data from 1850 to 1940. Shows variations in rate of growth caused by regional industrial developments and decline in soil productivity.

The Second National Bank of Houston, Texas, has issued under the direction of C. M. Malone, Vice-Chairman of its Board of Directors, two interesting maps and a chart showing the population growth of various regions and sections of Texas up to 1940.

The population chart starts with 1850, which was the first census taken in Texas, but the sectional map deals only with the population from 1910 to 1940. However, going back to 1900, it shows a rather interesting development. In 1900 the population of Texas was 3,048,710. At that time Section 1, or South Texas, had only 648,200 population, and Section 4, which is Central Texas, had 1,203,615.

In 1920 Section 1 had a population of 1,194,164, and Section 4 had a population of 1,684,773, but in 1940 Section 1 had 2,133,157, and Section 4 had 1,857,300. In the 40-year period Section 1 had increased from 648,200 to 2,133,157, an increase of 1,484,937. During this period the entire state had increased 3,366,114, so that Section 1 had accounted for almost 50% of the increase in the entire state.

Section 1 is developing into an industrial area all the way from the Rio Grande River to the East Texas line along the coast. It is rich in oil, gas, sulphur and salt, all of which are used in the chemical industry, which is developing very fast in this section of the state. The Dow Chemical Co. at

Freeport uses the waters of the Gulf of Mexico to make magnesium. The 1950 census should show a much greater growth in this section of Texas than any other 10-year period.

The decline in population in Central Texas in many of the counties is due to erosion and decline in productivity of the soil, but a great deal of conservation work is now being done throughout the state. Much of this land will be brought back into good production and will probably correct this decline in population in these rural counties.

On Jan. 10, 1901, the first gusher was brought in at Spindletop which was followed by the development of many oil fields throughout the State. The discovery of oil attracted capital, and then other lines of industry saw the opportunity to develop other natural resources. This has transformed Texas into an industrial, as well as agricultural and cattle-raising state.

Agriculture and cattle still are important to this State, and with improvement in farming methods and breeding of fine cattle, the State will always have a very large part of its population in the rural sections.

## President by Executive Orders Ends OPA June 1

Executive Orders, wiping out, effective June 1, the OPA and two other major wartime agencies, viz., the Civilian Production Administration and the Office of War Mobilization and Reconversion, were issued on April 23 by President Truman. At the same time he ordered most of the agencies' remaining functions, including rent controls, transferred to other departments on May 4. Associated Press Washington advices April 23, as given in the New York "Journal of Commerce," added:

Along with them goes the Office of Temporary Controls which was set up last December to start the liquidation process.

The orders direct the transfer of these functions:

"1. Rent controls from OPA to the Federal Housing Expediter.

"2. Price control over rice from OPA to the Agriculture Department.

"3. OPA activities relating to claims and overpayments on subsidies and price adjustments, to the Reconstruction Finance Corp.

"4. OPA liquidation activities and OWMR functions relating chiefly to premium payments on copper, lead and zinc production from marginal mines, to the Commerce Department—June 1.

"5. OPA controls over rubber, hard cordage fibers, tin, antimony, cinchona and streptomycin, to the Commerce Department. Commerce extended rubber controls until next March 31, the others until June 30."

Along with the transfer of functions, the Commerce Department will get 1,200 employees from OPA; about 550 from OPA and about 100 from OWMR. The Housing Expediter will get about 6,100 employees from OPA's rent division. Another 125 OPA employees will go to RFC.

The President also directed the Justice Department to take over most pending litigation and enforcement work from the emergency agencies. This includes between 8,000 and 13,000 OPA cases involving alleged overcharging on com-

modities and services decontrolled last November, but not rent control violations.

Congress already had tabbed OTC and its three sub-groups for liquidation by June 30. With his orders today, the President beat that deadline. At the same time he put into effect, probably ahead of a final Congressional vote, one change favored by the Senate Banking Committee. This is a proposal to shift rent controls from OPA to the Housing Expediter.

Both House and Senate Committees are considering legislation to extend rent controls beyond June 30. The House Banking Committee is debating a bill to repeal the Patman Emergency Housing Act, which is administered by the expediter's office, and put rent controls on a local basis.

However, the changes ordered by the President virtually eliminates OPA, as such, from future debate.

Housing Expediter Frank R. Creedon followed up the Executive orders with a statement that rent controls will be administered by his office "effectively and within the spirit and letter of the law."

He said about 6,000 employees to be taken over from OPA will remain in field offices and about 100 in Washington.

### Air Mail Abroad

Postmaster Albert Goldman announced on April 10 that mail articles addressed to foreign countries and intended for air dispatch within the United States are being mailed with postage paid of only 5 cents per ounce. The announcement also says:

"The above has reference to mail articles for foreign countries (except Canada and Mexico) which the sender desires to have forwarded by air to the appropriate United States exchange office (such as San Francisco, New Orleans and other ports) and thence by steamer, and the correct postage rate for these articles is 7 cents per ounce or fraction.

"Articles for Canada and Mexico prepaid at the rate of 5 cents per ounce or fraction will be carried by air to and within those countries."

## Senate Passes Bill for Greek-Turkish Aid

The bill, carrying out President Truman's proposal for Greek-Turkish aid to the extent of \$400,000,000 was passed by the Senate on April 22 by a vote of 67 to 23. Prior to the Senate's final action, arguments for and against the bill were heated, and on the day of its passage two attempts to modify and block the program were defeated, it was noted by Gerald Griffin, in advices April 22 from the Washington bureau of the Baltimore "Sun," from which we also quote the following:

One amendment, acceptable to the bill's supporters, was adopted by a voice vote. Offered by Senator Johnson (D., Cal.), it specified that nothing in the measure implied that the United States is bound to support agreements made by American oil companies with foreign governments.

Thus the Senate approved without material changes the momentous program advanced last month by President Truman to strengthen Greece and Turkey against Communist forces.

A heavy majority of both parties supported the bill on final passage. Voting for it were 35 Republicans and 32 Democrats. Voting against it were 15 Republicans and seven Democrats.

Senators Tydings and O'Connor of Maryland, voted for passage, and both voted against the two principal moves to restrict the program.

On of these moves was made by Senator Johnson, who sought to strike from the bill all its authorizations for military aid. It was rejected, 68-22.

The second was made by Senator Robertson (R., Wyo.), who wanted to kill the legislation by a motion to lay it on the table. That was defeated, 67-23.

Although a number of other amendments had been drawn up, including one to remove Turkey from the program, the sponsors of such proposals did not ask for a vote on them.

Senator Vandenberg had previously written into the bill a stipulation that American aid to Greece and Turkey would be withdrawn if the President is officially notified that the United Nations Security Council or General Assembly finds that action taken by the United Nations makes the continuance of American help unnecessary or undesirable.

Also written into the bill was a preamble, sponsored by Senators Vandenberg and Connally (D., Texas), setting forth American support of the United Nations and asserting that the Greek-Turkish program conforms with the principles and purposes of the United Nations Charter.

The bill authorizes the expenditure of \$400,000,000, including an immediate advance of up to \$100,000,000 by the RFC, to extend economic and military aid to Greece and Turkey. Greece's share is expected to be approximately \$250,000,000.

April 21 Secretary of State Marshall in a cablegram from Moscow addressed to Senate President Arthur H. Vandenberg, Republican (Michigan), who had asked for his views, confirmed that he helped and advised President Truman in drafting the program of American intervention in Greece and Turkey and in the decision to go forward with it. The foregoing is from United Press advices from Washington, which also said in part:

At the same time, he [Secretary Marshall] backed to the hilt the opinions voiced by Undersecretary of State Dean

Acheson and other top Administration officers who had testified in his absence that this country's security would be imperiled if Greece and Turkey are allowed to collapse into Communism.

"I understand some question has arisen as to my participation in the Greek-Turkish aid program," Secretary Marshall cabled.

"As you know, prior to my departure for Moscow I participated in the formulation of this program and in the decision to go forward with it. When I reached Paris on March 6, the President telegraphed the proposed text of his message of March 12 and I informed the (State) Department that I fully concurred.

"I personally and for the State Department attached the highest order of urgency to immediate passage of the Greek-Turkish aid legislation. In my opinion, the program proposed is indispensable and I am in complete accord with the actions taken by Mr. Acheson for the Department and by the Foreign Relations Committee of the Senate in urging the Congress to pass this legislation."

Senator Vandenberg interrupted the Senate's last full day of debate on the bill to announce the arrival of Secretary Marshall's message, and the Senators listened impassively as it was read by a clerk.

Mr. Vandenberg, Chairman of the Senate Foreign Relations Committee, took the floor on April 22 as the hour for a vote on the measure approached and the futility of opposition was admitted, said the Associated Press Washington accounts as given in the New York "Sun," from which the following is also taken:

Senator Vandenberg said that he rose to "categorically repudiate" the statement he said had been repeated by Senator Johnson (D., Cal.), that the President's policy would lead to war with the Soviets.

"That statement, which has been made repeatedly by the Senator from Colorado, is an invitation to the precise disaster that this bill seeks to prevent," Mr. Vandenberg said, adding: "That is an inflammable statement and it is a grave error. I deny there is any such purpose in the heart of any Senator who today supports the President of the United States."

Senator Hatch (D.-N. M.), declared that "if Turkey goes communistic—do not deceive yourselves—then all that part of the world goes communistic."

"We have not as yet won either (world) war; victory is not ours," Hatch said, adding that the purpose of the aid to Greece and Turkey is "to make our victory secure."

"I have reached the firm conclusion and decision that we are not by-passing the United Nations and that we should proceed," he declared.

## Prime Minister King Visits Pres. Truman

Canadian Prime Minister William Lyon Mackenzie King, en route home after a holiday at a Virginia Beach resort, stopped for a three-day visit in Washington and called on President Truman at the White House on April 23, a dispatch from Washington to the New York "Times" stated. Mr. Mackenzie King, it was announced later, renewed his invitation to Mr. Truman to visit Canada this summer, and the President was said to have accepted. The visit will, probably, be made in June. The President expects to go to Princeton University to receive an honorary degree on June 16.

## Cotton and Cottonseed Production, 1946

The 1946 cotton crop for the United States amounted to 8,640,000 bales, the smallest since 1893 except for 1921, according to the Crop Reporting Board of the Bureau of Agricultural Economics. This estimate is based on final ginnings as reported by the Bureau of the Census (equivalent 500-pound gross weight bales). The 1945 crop totaled 9,015,000 bales and the 1935-44 average is 12,003 bales. Production in 1921 totaled only 7,945,000 bales compared with the record crop of 18,946,000 bales produced in 1937.

In ginning the 1946 cotton crop, an estimated total of 3,513,000 tons of cottonseed, a major source of vegetable oil, was separated from the lint. This harvested production of cottonseed is 151,000 tons or 4.1% less than ginned in 1945 and 1,727,000 tons or 33.0% less than ten-year average ginnings.

The value of the 1946 crop of lint cotton, calculated at the season average price of cotton sold before April 1 is \$1,409,711,000, the highest since 1925. The indicated value of the 1946 crop exceeds that of the previous year by \$394,888,000 and the ten-year average by \$573,492,000 despite the fact that production in 1946 was 3,913,000 bales below average. The average of 32.6 cents per pound received for cotton sold before April 1 is 10.1 cents per pound above the average for the 1945 season and 19.0 cents above the ten-year average. This upswing in price more than offsets the drop in production and accounts for the relatively high value of the 1946 crop.

Value of seed produced, computed at \$252,632,000 brings the 1946 combined value of seed and lint to \$1,662,343,000, also the highest since 1925, compared with \$1,201,978,000 in 1945 and the ten-year average of \$1,012,095,000. After OPA controls were lifted, cottonseed prices jumped to around \$100 per ton in many areas. However, the indicated season average price was \$72 per ton compared with \$51.10 for the previous crop, because considerable quantities of seed were sold before controls were lifted.

Cotton acreage in cultivation on July 1, 1946 is estimated at 18,190,000 acres, 3.6% more than in 1945. This is the first increase in acreage since 1942. With only a slight increase in 1946 plantings the acreage remains nearly 7,500,000 acres less than the ten-year average. The price of cotton was comparatively favorable at planting time, but the increase in acreage was limited by unfavorable weather, a scarcity of viable planting seed, and the generally uncertain prospects for supplies of labor, machinery, repair parts, and fertilizer.

Abandonment of acreage in cultivation on July 1, 1946 amounted to 3.2%, leaving 17,615,000 acres harvested. With the exception of 1945, this is the smallest harvested acreage since 1834 and compares with 17,059,000 acres in 1945 and the ten-year average of 24,830,000 acres. Bad weather and severe weevil damage caused heavy abandonment of acreage in Mississippi and Louisiana and above-average abandonment in Texas, Oklahoma, Missouri and Alabama.

The small cotton crop produced in 1946 was due primarily to the small acreage and unfavorable weather during the growing and fruiting seasons. In New Mexico, Arizona and California, however, weather was generally favorable and the yield per acre was above average. In Oklahoma, Arkansas, and central and eastern Texas severe drought following a prolonged wet season caused considerable damage. In Louisiana and the states east of the Mississippi River, excessive rainfall during July increased boll weevil infestation. With cool weather and ample rainfall during the rest of the

fruiting period, weevil damage developed rapidly and sharply reduced production prospects. Weevil damage for the Cotton Belt States averaged 13% and except for 1941 was higher than any year since 1932. Although weather during the harvesting season was generally favorable, the crop was late in some areas and less than the average percentage of the crop was ginned to Dec. 1. Practically all of the 1946 crop was finally harvested. This contrasted with the 1944 and 1945 crops when considerable cotton remained unharvested and was plowed under in the following spring, especially in the Central Cotton Belt.

American Egyptian cotton, grown only in Arizona, New Mexico, and Texas, amounted to 2,500 bales in 1946, compared with 4,100 bales in 1945, 8,800 bales in 1944, and 60,900 bales in 1943. Production of Sea Island cotton in 1946 was negligible.

Of the 124,000 bales of cotton placed under Government loan through March 1947, only 57,000 had not been redeemed. The value of this unredeemed loan cotton and cotton still in producers' hands on April 1, 1947 is included in the total value of the crop at the season average price.

## Heaviest Budget Cuts By House for Inter. Dept.

The House on April 25 passed by a vote of 307 to 30 the bill providing for appropriations for the Interior Department for the fiscal year starting July 1, 1948, totaling \$161,413,513—some \$134,006,907, or about 45% less than President Truman asked. As sent to the House floor on April 21 the bill called for operating funds of \$156,538,513. Regarding the House action, Associated Press advices from Washington April 25 said:

The Republicans successfully fought off all amendments to boost the funds—except five of their own. In vain, Democratic leaders cried that slashes in reclamation and power projects would "crucify" the West and Northwest. Republicans replied that there are enough funds for all worthwhile projects and that the country demands economy.

The net increases approved by the House before sending the bill to the Senate after nine hours of tempestuous debate amounted to \$4,875,000 over Appropriations Committee recommendations. There was only one cut. An allotment of \$450,000 for an anthracite laboratory at Schuylkill Haven, Pa., was knocked out after a fight over where it should be located.

The Appropriations Committee had cut the bill 47% below budget estimates before sending it to the floor last week.

Democrats, who had hoped to pick up enough Republican votes to override the committee's 47% slash, offered dozens of amendments, but got nowhere. Many GOP votes they had hoped to corral apparently were weaned away by amendments accepted by the committee.

These amendments added \$2,000,000 for the Colorado-Big Thompson reclamation project in Colorado, \$1,000,000 for the Anderson Ranch Dam project in Idaho, \$2,000,000 for the Columbia basin project in Washington State, \$175,000 for the Glendo project in Wyoming, and \$150,000 for the Bureau of Fisheries.

Tending to offset these boosts was elimination of the \$450,000 anthracite laboratory fund on motion of Representative Keating (R., N. Y.), by a nose count of 134 to 118. The committee leadership opposed Keating's motion.

As to the Committee action, Associated Press accounts from

Washington April 21 reported in part:

More than half of the entire reduction in the bill was applied to the Reclamation Bureau, which had asked for \$145,922,200 and was given \$62,717,600 by the Committee. The Associated Press advices stated that the following were funds approved for other major bureaus:

"Bonneville power administration, \$6,907,800, a cut of \$13,370,000 below budget requests. "Indian affairs bureau, \$33,122,133, a cut of \$11,387,387. "Bureau of mines, \$10,933,875, down \$4,250,845.

"Fish and wild life service, \$5,960,320, a cut of \$4,377,980. "National park service, \$10,304,655, down \$4,250,845. "Geological survey, \$9,113,230, a cut of \$8,991,670."

Secretary of the Interior, J. A. Krug, expressed strong misgivings if the Committee's cut proposals are approved by the House. He was indicated to have stated:

"The amount requested for the work of the department in the President's budget was \$295,420,420. That figure was reached only after months of pruning and successive reductions; it represented the bare minimum of essential expenditures and made the greatest contribution toward a balanced budget and debt reduction which was possible without wasting the resources of the nation. The committee has reduced this amount by \$138,881,907, down to \$156,538,513."

## N. Y. Community Trust Receipts in 1946

Receipt by The New York Community Trust of \$579,720 in 1946, compared with \$447,472 in 1945, was revealed by the Trust's annual report, issued on April 23. The report covers the administration of 76 memorial funds valued at \$17,543,536, now constituting the Community Trust. The advices in the matter also state:

"Six new funds aggregating \$321,958 were created within the Trust last year and 15 previously existing funds were enlarged by \$257,762. Among the newly established funds are the R. H. Macy Corporate Trust Fund of \$250,000; Margaret M. Hitchcock Fund, \$15,300; Philip Isles Fund, \$14,943; and Frederick L. Ehrman Fund, \$14,343. Enlargements of previously established funds brought \$98,502 into the Allan S. Lehman Fund and \$50,000, from a corporate founder, to the Community Relief Fund. Philanthropic outpayments were \$580,659 in 1946 and \$567,349 in 1945. Last year, as in all but two of the 23 years of the Trust's distributions, allocations exceeded those of any prior annual period. Cumulative grants made since 1924 are now \$5,761,920.

"The report estimates that charitable organizations of all types in the United States will receive \$2,750,000,000 in 1947 and that the value of their property is in the neighborhood of \$15,000,000,000, of which about one-eighth is held by foundations, that will pay out approximately \$75,000,000 during the year. Quoting Dr. Harlow Shapley of Harvard that 'civilization is endangered by strong physics and weak sociology,' the report outlines the accumulation of \$75,000,000 of assets by 75 community foundations in the past three decades and contends that 'if civilization itself is not purchasable, even so small a factor as the Community Trust can buy some of it.'"

"Sixteen banks and trust companies in Manhattan, Brooklyn and Westchester are trustees of funds of The New York Community Trust. Winthrop W. Aldrich heads its trustees' committee and Thomas M. Dobovolsky its disbursement committee.

## Agricultural Department General Crop Report As of April 1

The Department of Agriculture at Washington on April 10 issued its crop report as of April 1, 1946, which we give in part below:

Slow progress in farm work and in vegetative growth was made during March in the eastern two-thirds of the country. Consequently, the season is now considered backward in varying degree in all but the West. There it varies from normal or early in the Mountain States to well advanced in the Pacific Northwest.

Meadows and pastures were slow to start, the latter furnishing but little new feed yet. The late spring has caused a heavy drain on feeds. Hay and roughage are nearly exhausted in some localities, but feed grains are in ample supply. Winter grains were "greening" as far north as South Dakota and the southern Lake region. While they have made little growth yet, they appear to have withstood the winter well with little loss of acreage. Production prospects for winter wheat exceed even the record forecast last December. Seeding of spring grains has been delayed by cold weather and wet fields, so that possibly the full intended acreage of oats may not be reached. Tree fruits were mostly dormant, except that peaches are blooming weeks late in Georgia and peaches and apricots are blooming early in the West, particularly the Pacific Northwest.

Snow and rains the last week of March in much of the country capped the delaying effect of weather throughout the month. Temperatures averaged below normal for March practically everywhere except in the Far West. Precipitation averaged below normal also, except in the Southeast and Gulf coastal areas and in a central area embracing most of Kansas, Missouri and some adjacent areas. Though rainfall was short in quantity, intermittent light rains and ample subsoil moisture kept fields wet and unworkable. On April 1 snow still covered much of the Northeast, the Appalachian region of Virginia and West Virginia, most of Michigan and northern parts of Wisconsin and Minnesota. Water from melting snow was mostly absorbed by the soil with light run-off. Floods in southern Michigan, on the Yellowstone in Montana and other scattered small sections will delay spring work. Frost was leaving the ground slowly in northern areas, though it was out in most sections of Iowa. An area centering in Arizona, extending into Western New Mexico, southern California and part of the Great Basin remained very dry. Irrigation water supplies are short there, but are reported ample in northern areas. Farm work went ahead rapidly in the southern Great Plains at the end of March. During the first week of April it rained or snowed in practically all of the country except the extreme Southwest. The warmer temperatures were helpful. Much of the delay in farm activities could be overcome however if the remainder of April is generally favorable. It is likely that some shift from spring planting intentions will occur especially in areas where it is already becoming late for spring seeding, as in Missouri and Kansas. Some of the acreage intended for spring grains, especially oats, will be planted to row crops.

Grass and winter grains have made slow progress. Pasture condition on April 1, at 79%, is lower than in any of the preceding 5 years, though higher than in most of the 12 years prior to 1942. Lowest condition is reported in the South where pastures normally are capable of carrying livestock at this date. This year normal pastures are available only in Texas. Prospects are good, the low condition being largely due to the slow growth of grass. The late spring has increased feed and roughage needs of livestock, so that supplies of hay are running low, but are expected to last until

grass is ready. Meadows have suffered little winter damage, but are slow to start new growth. Western ranges have developed early and promise abundant early feed, except east of the Rockies and in the dry Southwest. Livestock have wintered well.

Changes in winter wheat prospects are partly offsetting between areas. The current estimate of 973 million bushels is 26½ millions more than forecast last December. Improvement in the Great Plains, especially in Kansas, Oklahoma and Texas, in several western States, and in most South Atlantic States more than offset declines in East North Central States. Winter killing is reported relatively light on the whole. The good condition of rye, equal to a year ago and 9 points above average, is rather uniform over the country. Reports on oats and barley in the South, where most of the acreage is fall-sown, are less favorable than usual, reflecting both freeze damage and slow development because of the cold, wet spring. Nitrogen fertilizer, needed for top dressing, is reported far below demand. This lack is expected to be reflected in lower yields than in recent years.

Milk production during March nearly equalled the record set in March 1945, despite fewer cows milked. Production per cow set a new high record for March, for while the weather was not particularly favorable and pastures contributed little feed, the well-culled herds were given good care and fed liberally. Egg production was below that of March 1946 in all parts of the country. The rate of lay was slightly below last March, but well above average, while the number of layers on farms is 6% less than last year. Prices of both eggs and chickens were the highest for March 15 since 1920, but the cost of the farm poultry ration was also the highest in 24 years of record.

Prospects were favorable on April 1 for all fruit and nut crops. The season is later than usual in the East and Midwest, which should reduce the danger of late spring frost damage in these sections. In the Pacific Coast States, fruit is further advanced than usual; however, frost damage is less likely in that section than east of the Rockies. Another large peach crop appears probable this season, with favorable prospects for the 10 Southern early peach States. The season, however, in the early States is about 4 weeks later than last year and about 2 weeks later than usual. Apple trees are in good condition and fruit buds plentiful. An average-sized crop can be expected unless reduced by late spring frosts. Florida citrus crops were severely damaged by a freeze early in February. However, the outlook is good for the 1947-48 crops in all producing States. Unfavorable weather delayed planting of early potatoes in the South. Development of the crop to April 1 was about two weeks later than usual. Condition of the California crop, however, is very favorable. Tonage of spring vegetables 18% below that of 1946, but 9% above average is indicated on the basis of partial information now available. Summer vegetables also may be in smaller quantity than last season.

Livestock and poultry have been fed liberal quantities of grain. Heavy movement of grains to markets, for processing and export, has further increased disappearance of grains from farms.

Nevertheless, from the near-record tonnage of feed grains on farms last fall a relatively large quantity remains, with both corn and oats stocks near the record for April 1. Because of reduced numbers of livestock, the current supply per animal unit exceeds that of any other April, except in 1939. Disappearance from farms of nearly 32 million tons since Jan. 1, 1947, exceeds that for the same period in most recent years.

Wheat stocks on April 1 are the smallest since 1938. Wheat has moved from farms since harvest at a rate never before equalled, with a total of 1,057 million bushels moved by April 1. Soybean stocks on farms also are at the lowest level for April 1 in the 5 years of record, but the supply is adequate for seed needs, if properly distributed.

### Winter Wheat

The 1947 winter wheat production is forecast at 973,047,000 bushels on the basis of April 1 reported condition of the crop, an appraisal of fall and winter moisture conditions and other factors affecting abandonment and yields per acre. This production would be about 99 million bushels larger than the record 1946 crop and about 319 million bushels larger than the 1936-45 average. The indicated yield per seeded acre is 17.2 bushels compared with 16.7 bushels in 1946 and the ten year average of 13.9. Loss of acreage has been small thus far and present conditions indicate an unusually low abandonment. From April 1 reports abandonment (and diversion) is estimated at 4.9% of the seeded acreage which would be only about one-third of average.

Winter wheat was seeded under favorable conditions and ample supplies of soil moisture in the fall of 1946 resulted in generally satisfactory germination and excellent fall growth. Cold winter weather has prevented excessive early plant development thus improving yield prospects. In the Great Plains excessive growth was checked by relatively dry weather which prevailed during most of the winter when wheat was dormant. Good sub-soil moisture conditions and delayed plant growth have favored the development of a good root system. Moisture conditions are favorable in Texas and Oklahoma and most of the acreage losses thus far have been due to damage by soil blowing in a few sandy sections. The Kansas crop is developing favorably and moisture conditions are satisfactory. Root development is good and little abandonment is apparent at this time. Progress of the Nebraska crop is favorable and indicated acreage losses are small.

In the Northeastern States snow provided adequate protection during the winter and abandonment apparently is light. In the North Central States plants were frozen back where not protected by snow, and some damage has occurred from alternate freezing and thawing. Some wind damage occurred in Minnesota and South Dakota but wheat plants are vigorous and healthy and moisture conditions are favorable. In the Pacific Northwest some abandonment has occurred from winter kill and although moisture is short in local areas, present conditions are satisfactory.

### Wheat Stocks on Farms

Stocks of wheat on farms April 1, 1947 are estimated at 139,855,000 bushels. This is substantially smaller than the 198,481,000 bushels on farms April 1 a year ago, and the 1936-45 average stocks of 186,066,000 bushels. These stocks are only 44% of the all time record stocks of over 321 million bushels of April 1942. Present stocks are 12.1% of the 1946 production compared with 17.9% of the 1945 crop on farms April 1 a year ago. Only in Texas, Colorado and Washing-

ton of the main wheat producing States were farm stocks of wheat on April 1 larger than a year ago.

The movement from farms of 226,400,000 bushels between January 1 and April 1 this year is the largest of record for that period. High prices and demands for relief purposes encouraged heavy marketings. Favorable weather for moving wheat from farms aided this heavy movement. Railroads were able to supply enough cars to move the grain from most elevators, although the truck movement was heavy in some areas.

The movement from farms was heaviest in the central and northern Great Plains States. Of the 226 million bushels farm disappearance in the United States, 124 million bushels moved from farms in the four States of North Dakota, South Dakota, Nebraska, and Kansas. The heavy movement of wheat from the southern Great Plains States occurred before January 1, 1947.

### Rye

Rye was planted under generally favorable conditions in the fall of 1946. Growth and development of the crop was satisfactory in the fall and early winter due to good moisture conditions, but cold weather after mid-December retarded plant growth. However, the crop has progressed satisfactorily and no unusual losses were apparent by April 1. Soil blowing has caused some loss of acreage where snow covering provided inadequate protection in local areas, mainly in Minnesota, North Dakota, South Dakota and Nebraska.

The April 1 condition of rye, 88% of normal, is the same as on April 1, 1946, 9 points above the ten year average, but 4 points below the high December 1 condition of 92.

### Rye Stocks

The supply of rye on farms as of April 1, 1947—1.7 million bushels—is the smallest for this date during the 8 years of record and is only about half the 3.0 million bushels on April 1, 1946, the previous low record. Price increases have encouraged farmers to reduce stocks. In the important producing States of Minnesota, North Dakota, South Dakota, and Nebraska about 7% of last year's production was on farms on April 1, compared with almost 8% a year earlier. Although the supplies now held are unusually low, the disappearance since January 1, slightly less than 2½ million bushels, was about 1¼ million bushels below disappearance during the same months in 1946. This may be attributed to the low January 1 stocks.

### Corn Stocks on Farms

In spite of a record large disappearance of corn from farms since January 1, the 1.295 million bushels still on farms on April 1 were second only to the all-time high of 1,357 million bushels in 1943. April 1, 1946 stocks were 1,033 million bushels. The 1936-45 average is 1,098 million bushels.

Marketing livestock at lighter weights, smaller numbers of hogs in some areas and a mild winter all lowered feed requirements. The January 1-April 1 disappearance would have been even larger than the 871 million bushels had the supply of railroad cars and trucks been adequate to meet the demands. In the same quarter last year the disappearance was 826 million bushels. The average is 668 million.

In the North Central States April 1 stocks on farms were 1,052 million bushels or 81% of the United States total. April 1, 1946 stocks of 783 million bushels in this region accounted for 76% of the national total. The average of 859 million bushels represents 78% of the total for the country. For the most part cribbed corn is in good condition but some of the corn that was cribbed with a high moisture content has spoiled. Farm stocks of corn in all regions

other than the North Central are lower than a year ago.

### Oat Stocks on Farms

Oat stocks on farms April 1 are estimated at 537 million bushels. This total is 34 million bushels, approximately 6% below the record stocks of 571 million bushels on farms April 1, 1946, but 27% above the 10-year average of 422 million bushels.

Disappearance of oats from January 1 to April 1 was the second largest of record, totaling 362 million bushels. This compares with 405 million bushels during the same period last year and average disappearance of 292 million bushels. Feeding rates were about normal with livestock numbers smaller. In some sections of the heavy producing areas, shipments were slow because of car shortages and heavy movement of wheat and corn. In Nebraska blocked roads delayed the movement from farms. About 309 million bushels, 58% of the oat stocks, are in the heavy-producing States of Illinois, Wisconsin, Minnesota, Iowa, and South Dakota. For the North Central States oat stocks were 8% below the record on farms April 1, 1946. The only regions reporting larger current stocks than April a year ago were the North Atlantic States, 31% larger, and the Western States, 5% larger.

### Barley Stocks

Stocks of barley on farms April 1, 1947 are estimated at 66,818,000 bushels—the lowest since the estimates began in 1940. Current stocks are about 4 million bushels less than a year ago and almost 37 million bushels less than the 1940-45 April 1 average. Stocks on farms in Minnesota, North Dakota, South Dakota, Nebraska and Montana make up nearly 66% of the total in the United States. These five states produced about half of the Nation's barley last year.

Farm disappearance between January 1, 1947 and April 1, 1947 amounted to about 43 million bushels. This disappearance is considerably smaller than the 55 million bushels for the same period in 1946.

## NYSE Short Interest Increased to April 15

The New York Stock Exchange reported on April 18, that the short interest as of the close of business on the April 15, 1947, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 1,018,631 shares, compared with 1,015,331 shares on March 14, 1947, both to and excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the April 15, 1947, settlement date, the total short interest in all odd-lot dealers' accounts was 53,866 shares, compared with 70,111 shares on March 14, 1947. The report added: Of the 1,348 individual stock issues listed on the Exchange on April 15, 1947, there were 55 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1946—	
Mar. 15.....	1,015,772
Apr. 15.....	994,375
May 15.....	1,022,399
June 15.....	867,891
July 15.....	849,698
Aug. 15.....	732,649
Sept. 13.....	627,964
Oct. 15.....	757,215
Nov. 15.....	927,002
Dec. 13.....	893,178
1947—	
Jan. 15.....	798,081
Feb. 14.....	1,046,797
Mar. 14.....	1,015,331
Apr. 15.....	1,018,631

# The Business Outlook And Consumer Credit

(Continued from first page)

tainly the recession has been well publicized.

This difference of opinion among the experts is due to difference in emphasis. You can be alarmed by the unfavorable factors or encouraged by the constructive developments. Rectifying all the negative factors in the business situation that make for recession and listing all the positive factors that make for satisfactory business, is like taking a "look-up" report from an "outside" man in the small loan business. And then like a small loan application you have to pass judgment on the factors. You need the operator's skill to spot the important indicators and to reject those that do not mean much at the time. One economist has found a remarkably accurate reflector of economic conditions in the price of dead cats used in biology laboratories. Times must be good. The cost of dead cats for laboratory work is up from \$3 each to \$6.

I wish it were all so simple and easy as that, but at best business trends are difficult to forecast. They are like pregnancies. The underlying forces have been at work a long time before they show up in the figures. The ideal forecast is like the sales talk of the jeweler who could truthfully say about the watch he was selling, "Even if it stops it will always be right twice a day."

## Business Trend Has Changed

You do not have to be an economist to recognize that the business trend of 1947 is different from that of 1946. The buying fury of 1946 has slowed down. The pace slackened first in consumer luxury lines such as furs and jewelry and the slow-up moved to books, magazines, entertainment, toilet articles, and textiles, especially in women's apparel.

Consumer resistance compels retail sellers to put their establishments in order: to cut down advance orders and to unload wartime models by price mark downs. Normal competition in style, in quality, and in price is on the way back in soft goods.

There are other fever spots in the business picture. One such spot is in commercial inventories. The end of the war started a race to rebuild business inventories for peace time use. Hurry-up rebuilding of depleted inventories makes more jobs than just replacing built-up inventories. As the pipe lines to wholesaler and retailer fill up, employment may fall off. And, too, haste makes waste, and lopsided inventories at high prices. Now the air is full of talk about sluggish inventories and the need for prices to come down. Twice within recent days the President of the United States has warned that prices are too high. Nothing could be more disastrous to high employment than to have liquidation of over-priced inventories start in all lines of business at the same time.

Producers are concerned; some of them have already acted. Price markdowns have been announced by a number of the major automobile companies and by other manufacturers. These markdowns have come while production of these manufacturers is high and while demand for their goods is unsatisfied. This development is good. More of the same is needed. It gives the economy a chance to absorb adjustments in the soft goods lines while demand for goods in other fields holds up employment and payrolls. A sort of rotating adjustment is underway.

Readjustment in retailing will reduce employment in the production of shortlived goods. But the cycle of decline and recovery in soft goods is a short one. Major

depressions never start in the soft goods industries. The shake down in retailing, in my opinion, will not be too upsetting.

The warning against high prices is generally directed against manufactured goods. Yet, with the exception of building materials, the most vigorous advances in prices have been in the basic products that originate on the farm or that are processed from such basic raw materials: farm products, foods, hides and leather products. These are the goods that have pushed the cost of living index up so high in the last 7 or 8 months. These are the goods which take so much of the consumer's dollar. Prices of farm products are high for a number of reasons. One of the reasons is heavy government purchases of grains for export. Another is the large bonus per bushel paid by government to get quickly the grain it wanted. The government, which is so concerned about high prices, is itself one of the chief causes for high prices.

Prices of farm products are expected to soften after the harvests. The cost of living will stay high above pre-war, but the pinch on the consumer pocketbook should ease somewhat in the latter half of the year. Furniture prices and food prices should move back towards pre-war relation to other prices. A drop in food prices and some income tax relief should take the pressure off take-home pay, boost real purchasing power and so support trade and stability.

## Buying Will Absorb Production

Buying generally will absorb production—provided costs, prices and incomes are kept in balance. Wages are costs. Any increase in wages which is not justified by increase in productivity pushes costs into higher prices and adds to the inflationary spiral in which wages and prices dizzily chase each other. The great enigma, the \$64 question of 1947, is labor-management relations.

Last year labor and management got along like those other famous relatives—mother-in-law and son-in-law. Is a second round of wage strikes about to start? Will labor start another merry-go-round chase of wages and prices? What we need more than anything else is production. Will industry get a breathing spell free from strikes and interruptions? Will management get a chance to boost unit output and reduce unit costs? Will it have the sense to pass the savings along in lower prices to benefit the whole public?

All the physical and financial factors are present for a good year. There is widespread need for goods at home and abroad. Most of the shackles have been taken off building supplies; construction should do better than in 1946. There is plenty of money and liquid assets to handle any business expansion. Producers of durable goods for business and for consumers are booked way ahead. They are trying to speed up deliveries and are expanding production. All of these things make jobs. Your guess is as good as mine whether good sense and mutual compromise will govern between labor and management. If they do, I predict a good 1947.

Business leaders are optimistic about the volume of production for the year. "Fortune Magazine" asked leading executives how business in 1947 would compare with business for 1946. Twenty-two per cent expected an upturn, and 23% looked for no appreciable change. That makes 45% who thought 1947 would do as well as or better than 1946; 54% looked for a downturn. Of these 54% who looked for a downturn, 49%

forecast a moderate downturn and only 5% a sharp downturn. The more rotating adjustment we put behind us, the smaller becomes the chance of downturn—moderate or sharp.

The question asked by "Fortune Magazine" was for business in general. When the manufacturing executives were asked about the backlog of orders in their own businesses, 84% reported stable or increasing backlogs against 16% whose backlogs were running off. For their own business, which they knew intimately, they were optimistic in a better than 5 to 1 ratio. For each one of these business executives who thinks prices will go up on manufactured goods, two say there will either be a decrease or no appreciable change. They count on increased volume to keep prices of finished goods down even in the face of higher costs for labor and raw materials.

So I expect that, with some gagging and choking, there will be mutual adjustments. Spotty situations will be staggered; workers in some lines will be losing jobs while other lines are expanding. On the whole—1947 should do well enough.

## Role of Consumer Credit

Now as to consumer credit. Since the fighting ended consumer credit has come up fast. From September, 1945 through December, 1946 it came back \$4 billion or 70%. About 4 million automobiles, the CIO and John L. Lewis willing, are scheduled for production in 1947. You cannot sell that many automobiles without a generous use of credit. The total of all forms of consumer credit at the end of December was only \$100 million below the 1941 peak of \$9.9 billion. It will whizz by.

Single payment loans and service credits have already passed their 1941 peaks, and charge accounts are at an all time high of \$3 billion. But sales finance credit is still down under. Automobile paper stands at \$0.5 billion, which is about one-fourth of the 1941 figure. In particular consumer installment loans have recovered rapidly. The banks lead in this field. Since the war end they have gained \$500 million in direct consumer loans and another \$400 million in purchased installment paper. Small loan companies in the same time gained \$228 million or about 60%. Both have passed the 1941 peak.

Consumer credit is still low in relation to consumer take-home pay. Pre-war consumer credit outstanding varied with consumer take-home pay from 8% in years of low business to 11% in years of good business. Although 1943 was a year of high consumer take-home pay, consumer credit did not follow the peace time pattern. Industry was concentrating on goods for war use. Consumer credit was down to 4% of consumer disposable income. It is still low in relation to consumer take home pay. At the beginning of 1947, it stood under 7% of annual take-home pay.

In 1946 disposable income or individual take-home pay was \$145 billion. Take 10% of that as a fair ratio for all forms of consumer credit, and you have a potential outstanding of \$14.5 billion of consumer credit against a present outstanding of \$9.8 billion. I have seen estimates that range from \$12 billion to \$15 billion for 1947, and as much as \$25 billion by 1950. You can make your own predictions as to whether the pre-war ratio will ever be re-established—and how soon and how much.

## A Word About Consumer Credit and the Recession

An average of 5 million workers were unemployed in 1941. The retail price level was about 50% lower than that of today. That was the year consumer credit reached a pre-war high. Only a few of the most pessimistic expect that the recession which has

been so coy about showing itself would give us the unemployment of 1941 and none expects the price level of that year. Most of those who read the signs of recession expect it to be moderate in its effect and length. In either case, demand for consumer credit should not be affected too much.

In that best seller "The Egg and I" by Betty MacDonald, Mrs. Kettle complains, "Look, just look what them crooks in Washington has did. They put them fancy laws on time payments so Paw can't get a manure spreader."

Many other voices have been raised in protest against the policy on consumer credit followed by the estimable gentlemen in Washington so unfavorably characterized by Mrs. Kettle.

These other voices agree with Mrs. Kettle that restrictions on consumer credit are harmful to the economy and should be removed. Canada has already done so.

So far President Truman has shown himself reluctant to kill off Regulation W. The Federal Reserve Board continues to be on record for extension of the power to control consumer credit into peacetime. Nevertheless, the crystal ball, with the help of the Republican Party, anticipates the demise of Regulation W and funeral services for that unlamented sometime in 1947.

So there, within the span of a few minutes, is a hasty sketch of the business outlook and consumer credit for 1947 as I see it! But don't hold me to it!

## Fire Prevention Conference Called

Fifteen hundred public officials and representatives of a large number of important business, civic, service, women's and farm organizations will meet in Washington, D. C. on May 6, 7 and 8, to attend a national conference on fire prevention called by President Truman to develop a practical program for a country-wide drive against the fire menace. Under the chairmanship of Major General Philip B. Fleming, Federal Works Administrator, the Conference will bring together Federal, state and municipal authorities and experts in all phases of fire prevention and protection. President Truman will address the opening session on Tuesday morning, May 6.

Six committees have been making preliminary studies of the underlying causes for the present excessive loss of life and property by fire and of ways and means for reducing them. Their findings will form the basis for recommendations of the Conference. Working under the general supervision of W. E. Reynolds, Commissioner of Public Buildings, Federal Works Agency and Chairman of the Conference Coordinating Committee, these committees have been functioning for the past three months. John C. Knox, United States District Judge, Second District of New York heads a committee on Laws and Law Enforcement which has explored the question of State laws that will provide minimum standards of regulation for fire safety and facilitate the adoption of municipal ordinances that will augment these minimum standards. A committee on Fire Prevention Education under the Chairmanship of Dr. Harry Byrd, President of the University of Maryland has been making a survey of instructional facilities on fire safety in elementary and secondary schools, colleges and universities. Chairmen of other committees are: Major General William J. Donovan, former director of the Office of Strategic Services; Alfred C. Fuller, President of the Fuller Brush Company, Hartford, Conn.; Woodward H. Brenton, banker and manufacturer of Des Moines, Iowa, and

W. Walter Williams, business and civic leader of Seattle, Washington.

General Fleming said: "We have laid a solid ground work for the Conference by appointing committees of experts to study specific phases of the problem, and based on the gratifying results which followed the President's Conference on Highway Safety a year ago, we are confident that we will succeed in drafting a program that will assist in overcoming the fire menace."

## Extra Army Payroll Funds Refused

A War Department request for \$24,737,000 for Army officers' and enlisted men's payrolls was refused by the Senate Appropriations Committee on April 21, according to Associated Press Washington advices, which added that Chairman, Senator Styles Bridges (R.-N. H.), expressed it as the committee's opinion that the Army should cut other expenditures in order to meet payrolls with funds already appropriated. The War Department has stated that the money, requested as an addition to pay funds already voted for the fiscal year ending July 1, is needed because cuts in the size of the Army have not been possible as quickly as expected. In other actions, according to the same advices, the committee:

"Gave the Navy about \$1,000,000 more in pay funds to prevent many civilian employees being furloughed without salary;

"Approved \$6,000,000 for the school-lunch program;

"Approved a House decision to pay Goodwin B. Watson \$101, William E. Dodd, Jr., \$59 and Robert Morss Lovett \$1,996 in judgments for pay due them after they were cut off the payroll by act of Congress;

"Reduced from \$9,064,000 (approved by the House) to \$6,459,000 funds to be made available to the states for unemployment compensation administration;

"Allowed an additional \$400,000 for sanitation work in the Canal Zone."

## Would Specify Marines' Duties in Merger

Unless the duties of the Marine Corps are specifically outlined, pending legislation to unify the armed forces could reduce the corps "to a role of military impotence," according to the views of General A. A. Vandegrift expressed to the Senate Armed Services Committee. The General outlined the following as two defects in the proposed bill in his testimony to the Committee on April 22, Associated Press Washington advices stated:

1. "The bill affirms the existence of the Marine Corps without expressly outlining its duties";

2. "It completely excludes the Marine Corps from participation in the joint bodies and agencies which the bill would establish."

The only way in which continued existence of the Marine Corps can be assured, General Vandegrift went on to say, is by "a plain and unmistakable legislative statement of exactly what Congress expects the marines to do." Army and Navy officials have already told the Committee that definitions of the specific duties of the individual service branches were not necessary. General Vandegrift proposed that various defense and planning agencies be tied together under a civilian executive to be named by the President "for better coordination of the several services."

# "We Cannot Compromise on Great Principles": Marshall

(Continued from first page)

and much of what I have to say may seem repetitious. But the extremely complicated nature of the three major issues we considered makes it appear desirable for me to report in some detail the problems as I saw them in my meetings at the conference table.

There was a reasonable possibility, we had hoped a probability, of completing in Moscow a peace treaty for Austria and a four-power pact to bind together our four governments to guarantee the demilitarization of Germany. As for the German peace treaty and related but more current German problems, we had hoped to reach agreement on a directive for the guidance of our deputies in their work preparatory to the next conference.

## Fundamental Problems

In a statement such as this it is not practicable to discuss the numerous issues which continued in disagreement at the conference. It will suffice, I think, to call attention to the fundamental problems whose solution would probably lead to the quick adjustment of many other differences.

It is important to the understanding of the conference that the complex character of the problems should be understood, together with their immediate effect on the people of Europe in the coming months. To cite a single example, more coal is most urgently needed throughout Europe for factories, for utilities, for railroads, and for the people in their homes. More coal for Allied countries cannot be mined and delivered until the damaged mines, mine machinery, railroad communications and like facilities are rehabilitated. This rehabilitation, however, depends on more steel, and more steel depends in turn on more coal for steel making. Therefore, and this is the point to be kept in mind, while the necessary rehabilitation is in progress, less coal would be available in the immediate future for the neighboring Allied states.

But less coal means less employment for labor, and a consequent delay in the production of goods for export to bring money for the purchase of food and necessities. Therefore, the delay necessary to permit rehabilitation of the mines so vitally affects France that the settlement of this matter has become for her a critical issue. All neighboring states and Great Britain and the Soviet Union are directly affected in various ways since coal is required for German production of goods for export sufficient to enable her to buy the necessary imports of foods, et cetera, for much of which the United States is now providing the funds.

Moreover, in the background of this coal issue which is directly related to steel production, is the important consideration of the build-up of heavy industry in Germany, which could later again become a threat to the peace of the world. I cite this single example to illustrate the complications which are involved in these negotiations.

## Negotiations Regarding Germany

The Allied control council in Berlin presented a detailed report of the many problems concerned with the political, military, economic and financial situation under the present military government of Germany. In connection with these matters, the ministers considered the form and scope of the provisional political organization for Germany, and the procedure to be followed in the preparation of the German peace treaty.

The German negotiations involved not only the security of Europe and the world, but the prosperity of all of Europe. While our mission was to consider the terms of a treaty to operate over a long term of years, we were faced with immediate issues which vitally concerned the impoverished and suffering people of Europe who are crying for help, for coal, for food and for most of the necessities of life, and the majority of whom are bitterly disposed toward the Germany that brought about this disastrous situation. The issues also vitally concern the people of Britain and the United States who cannot continue to pour out hundreds of millions of dollars for Germany because current measures were not being taken to terminate expeditiously the necessity for such appropriations.

The critical and fundamental German problems to which I shall confine myself are: (a) the limits to the powers of the central government; (b) the character of the economic system and its relation to all of Europe; (c) the character and extent of reparations; (d) the boundaries for the German state; and (e) the manner in which all Allied states at war with Germany are represented in the drafting and confirmation of the treaty.

All the members of the council of foreign ministers are in apparent agreement as to the establishment of a German state on a self-supporting, democratic basis, with limitations imposed to prevent the reestablishment of military power.

This issue of the degree of centralization of the further German state is of greatest importance. Excessive concentration of power is peculiarly dangerous in a country like Germany which has no strong traditions regarding the rights of the individual and the rights of the community to control the exercise of governmental power. The Soviet Union appears to favor a strong central government. The United States and United Kingdom are opposed to such a government, because they think it could be too readily converted to the domination of a regime similar to the Nazis. They favor a central government of carefully limited powers, all other powers being reserved to the states, or laender as they are called in Germany. The French are willing to agree only to very limited responsibilities for the central government. They fear a repetition of the seizure of power over the whole of Germany carried out by the Hitler regime in 1933.

Under ordinary circumstances there are always strong and differing points of view regarding the character of a governmental reorganization. In this case there are great and justifiable fears regarding the resurrection of German military power and concern over expressed or concealed desires for quite other reasons.

Regarding the character of the German economic system and its relation to all of Europe, the disagreements are even more serious and difficult of adjustment. German economy at the present time is crippled by the fact that there is no unity of action, and the rehabilitation of Germany to the point where she is self-supporting demands immediate decision.

## German Economic Unity

There is a declared agreement in the desire for economic unity in Germany, but when it comes to the actual terms to regulate such unity there are wide and critical differences. One of the most serious difficulties encountered

in the effort to secure economic unity has been the fact that the Soviet-occupied zone has operated practically without regard to the other zones and has made few if any reports of what has been occurring in that zone. There has been little or no disposition to proceed on a basis of reciprocity and there has been a refusal to disclose the availability of foodstuffs, and the degree of character of reparations taken out of this zone.

This unwillingness of the Soviet authorities to cooperate in establishing a balanced economy for Germany as agreed upon at Potsdam has been the most serious check on the development of a self-supporting Germany, and a Germany capable of providing coal and other necessities for the neighboring states who have always been dependent on Germany for these items. After long and futile efforts to secure a working accord in this matter, the British and American zones were combined for the improvement of the economic situation, meaning the free movement of excess supplies or produce available in one zone to another where there is a shortage. Our continuing invitation to the French and Soviets to join in the arrangement still exists. This merger is bitterly attacked by the Soviet authorities as a breach of the Potsdam agreement and as a first step toward the dismemberment of Germany, ignoring the plain fact that their refusal to carry out that agreement was the sole cause of the merger. It is difficult to regard their attacks as anything but propaganda designed to divert attention from the Soviet failure to implement the economic unity agreed upon at Potsdam. Certainly some progress toward economic unity in Germany is better than none.

## The Ruhr and Reparations

The character of the control over the Ruhr industrial center, the greatest concentration of coal and of heavy industries in Europe, continues a matter of debate. It cannot be decided merely for the purpose of reaching an agreement. Vitally important considerations and future consequences are involved.

The question of reparations is of critical importance as it affects almost every other question under discussion. This issue naturally makes a tremendous appeal to the people of the allied states who suffered the terrors of German military occupation and the destruction of their cities and villages.

The results of the Versailles treaty of 1919 regarding payment of reparations on a basis of dollars, and the difficulties encountered by the Reparations Commission appointed after Yalta in agreeing upon the dollar evaluation of reparations in kind convinced President Truman and his advisers considering the question at Potsdam that some other basis for determining reparations should be adopted if endless friction and bitterness were to be avoided in future years. They succeeded in getting agreement to the principle of reparations to be rendered out of capital assets—that is, the transfer of German plants, machinery, et cetera, to the allied powers concerned.

It developed at the Moscow conference that the Soviet officials flatly disagreed with President Truman's and Mr. Byrnes's understanding of the written terms of this agreement. The British have much the same view of this matter as the United States.

We believe that no reparations from current production were contemplated by the Potsdam agreement. The Soviets strongly oppose this view. They hold that the previous discussions and agreements at Yalta authorize the taking of billions of dollars in reparations out of current production.

This would mean that a substantial portion of the daily production of German factories would be levied on for reparations payments, which in turn would mean that the recovery of Germany sufficiently to be self-supporting would be long delayed. It would also mean that the plan and the hope of our Government, that Germany's economic recovery by the end of three years would permit the termination of American appropriations for the support of the German inhabitants of our zone, could not be realized.

The issue is one of great complications, for which agreement must be found in order to administer Germany as an economic whole as the four powers claim that they wish to do.

There is, however, general agreement among the Allies that the matter of the factories and equipment to be removed from Germany as reparations should be re-examined. They recognize the fact that a too drastic reduction in Germany's industrial set-up will not only make it difficult for Germany to become self-supporting, but will retard the economic recovery of Europe. The United States has indicated that it would be willing to study the possibility of a limited amount of reparations from current production to compensate for plants, previously scheduled to be removed as reparations to various allied countries, which it now appears should be left in Germany; it being understood that deliveries from current production are not to increase the financial burden of the occupying powers or to retard the repayment to them of the advances they have made to keep the German economy from collapsing. The Soviet Government has made no response to this suggestion.

## The Question of Boundaries

The issue regarding boundaries to be established for Germany presents a serious disagreement and another example of complete disagreement as to the meaning of the pronouncement on this subject by the heads of the three powers. In the rapid advance of the Soviet armies in the final phase of the war, millions of Germans in eastern Germany fled to the Oder River. The Soviet armies, prior to Potsdam, had placed Poles in charge of this area largely evacuated by the German population. That was the situation that confronted President Truman at Potsdam. Under the existing circumstances, the President accepted the situation for the time being with the agreed three-power statement, "the heads of government reaffirm their opinion that the final delimitation of the western frontier of Poland should await the peace settlement."

The Soviet foreign minister now states that a final agreement on the frontier between Germany and Poland was reached at Potsdam and the expression I have just quoted merely referred to the formal confirmation of the already agreed upon frontier at the peace settlement, thus leaving only technical delimitation to be considered.

The United States Government recognized the commitment made at Yalta to give fair compensation to Poland in the west for the territory east of the Curzon line incorporated into the Soviet Union. But the perpetuation of the present temporary line between Germany and Poland would deprive Germany of territory which before the war provided more than a fifth of the foodstuffs on which the German population depended. It is clear that in any event Germany will be obliged to support, within much restricted boundaries, not only her pre-war population but a considerable number of Germans from Eastern Europe. To a certain extent this situation is un-

avoidable, but we must not agree to its aggravation. We do not want Poland to be left with less resources than she had before the war. She is entitled to more, but it will not help Poland to give her frontiers which will probably create difficulties for her in the future. Wherever the frontiers are drawn, they should not constitute barriers to trade and commerce upon which the well-being of Europe is dependent. We must look toward a future where a democratic Poland and a democratic Germany will be good neighbors.

There is disagreement regarding the manner in which the Allied powers at war with Germany are to participate in the drafting and confirmation of the German peace treaty. There are 51 states involved. Of these, in addition to the four principal Allied powers, 18 were directly engaged in the fighting, some, of course, to a much greater extent than others. It is the position of the United States that all Allied states at war with Germany should be given an opportunity to participate to some degree in the drafting and in the making of the peace treaty, but we recognize that there would be very practical difficulties if not impossibilities in attempting to draft a treaty with 51 nations participating equally at all stages. Therefore, the United States government has endeavored to secure agreement on a method which involves two different procedures depending on whether or not the state concerned actually participated in the fighting. But all would have an opportunity to present their views and rebut other views, and all would sit in the peace conference to adopt a treaty.

It is difficult to get the agreement of the countries that have suffered the horrors of German occupation and were involved in heavy losses in hard fighting to accept participation in the determination of the treaty terms by countries who suffered no losses in men or material and were remote from the fighting. The United States, however, regards it as imperative that all the states who were at war with Germany should have some voice in the settlement imposed on Germany.

The proposal for the four power pact was advanced by the United States government a year ago. It was our hope that the prompt acceptance of this simple pact, insuring in advance of the detailed German peace settlement that the United States would actively cooperate to prevent the rearmament of Germany, would eliminate fears as to the future and would facilitate the making of a peace suitable to Europe's present and future needs. It was our hope that such a commitment by the United States would relieve the fear of the other Europeans powers that the United States would repeat its actions following the first world war, insisting on various terms for the peace settlement and then withdrawing from a position of any responsibility for their enforcement. It was thought that the compact of the four powers to guarantee the continued demilitarization of Germany would reassure the world that we were in complete accord in our intention to secure the peace of Europe.

However, the Soviet government met our proposition with a series of amendments which would have completely changed the character of the pact, making it in effect a complicated peace treaty, and including in the amendments most of the points regarding the German problem concerning which there was, as I have pointed out, serious disagreement. I was forced to the conclusion by this procedure that the Soviet government either did not desire such a pact or was following a course calculated to delay any immediate prospect of its

adoption. Whether or not an agreement can finally be reached remains to be seen, but the United States, I think, should adhere to its present position and insist that the pact be kept simple and confined to its one basic purpose — to keep Germany incapable of waging war.

#### Failure to Negotiate Austrian Treaty

The negotiations regarding the Austrian treaty resulted in agreement on all but a few points, but these were basic and of fundamental importance. The Soviet Union favors and the other governments oppose the payment of reparations and the cession of Carinthia to Yugoslavia.

But the Soviet government attached much more importance to its demand that the German assets in Austria which are to be hers by the terms of the Potsdam agreement should include those assets which the other three powers consider to have been taken from Austria and the citizens of the United Nations by force or duress by Hitler and his Nazi government following the taking over of Austria by military force in March, 1938. The Soviet government refused to consider the word duress, which in the opinion of the other three powers would be the critical basis for determining what property, that is, business, factories, land, forests, et cetera, was truly German property and not the result of seizures by terroristic procedure, intimidation, fake business acquisition, and so forth. The Soviet Union also refused to consider any process of mediation to settle the disputes that are bound to arise in such circumstances, nor would they clearly agree to have such property as they receive as German assets subject to Austrian law in the same manner as other foreign investments are subject to Austrian law.

The acceptance of the Soviet position would mean that such a large portion of Austrian economy would be removed from her legal control that Austrian chances of surviving as an independent self-supporting state would be dubious. She would in effect be but a puppet state.

#### A Compromise Solution Unavailing

All efforts to find a compromise solution were unavailing. The United States, in my opinion, could not commit itself to a treaty which involved such manifest injustices and, what is equally important, would create an Austria so weak and hopeless as to be the source of great danger in the future. In the final session of the conference it was agreed to appoint a commission to meet in Vienna, May 12 to reconsider our disagreements and to have a committee of experts examine into the question of the German assets in Austria. Certainly prompt action on the Austrian treaty is necessary to fulfill our commitment to recognize Austria as a free and independent state and to relieve her from the burdens of occupation.

Complicated as these issues are there runs through them a pattern as to the character and control of central Europe to be established. The Foreign Ministers agreed that their task was to lay the foundations of a central government for Germany, to bring about the economic unity of Germany essential for its own existence as well as for European recovery, to establish workable boundaries and to set up a guaranteed control through a four-power treaty. Austria was to be promptly relieved of occupation burdens and treated as a liberated and independent country.

Agreement was made impossible at Moscow because, in our view, the Soviet Union insisted upon proposals which would have established in Germany a centralized government, adapted to the

seizure of absolute control of a country which would be doomed economically through inadequate area and excessive population, and would be mortgaged to turn over a large part of its production as reparations, principally to the Soviet Union. In another form the same mortgage upon Austria was claimed by the Soviet delegation.

Such a plan, in the opinion of the United States delegation, not only involved indefinite American subsidy, but could result only in a deteriorating economic life in Germany and Europe and the inevitable emergence of dictatorship and strife.

Freedom of information for which our government stands inevitably involves appeals to public opinion. But at Moscow propaganda appeals to passion and prejudice appeared to take the place of appeals to reason and understanding. Charges were made by the Soviet delegation and interpretation given the Potsdam and other agreements, which varied completely from the facts as understood or as factually known by the American delegation.

There was naturally much uncertainty regarding the real intention or motives of the various proposals submitted or of the objections taken to the proposals. This is inevitable in any international negotiation.

However, despite the disagreements referred to and the difficulties encountered, possibly greater progress towards final settlement was made than is realized.

The critical differences were for the first time brought into the light and now stand clearly defined so that future negotiations can start with a knowledge of exactly what the issues are that must be settled. The deputies now understand the precise views of each government on the various issues discussed. With that they can possibly resolve some differences and surely can further clarify the problems by a studied presentation of the state of agreement and disagreement. That is the best that can be hoped for in the next few months. It marks some progress, however painfully slow. These issues are matters of vast importance to the lives of the people of Europe and to the future course of world history. We must not compromise on great principles in order to achieve agreement for agreement's sake. Also, we must sincerely try to understand the point of view of those with whom we differ.

#### Stalin Statement

In this connection, I think it proper to refer to a portion of a statement made to me by Generalissimo Stalin. He said with reference to the conference, that these were only the first skirmishes and brushes of reconnaissance forces on this question. Differences had occurred in the past on other questions, and as a rule, after people had exhausted themselves in dispute they then recognized the necessity of compromise. It was possible that no great success would be achieved at this session, but he thought that compromises were possible on all the main questions, including demilitarization, political structure of Germany, reparations and economic unity. It was necessary to have patience and not become pessimistic.

I sincerely hope that the Generalissimo is correct in the view he expressed and that it implies a greater spirit of co-operation by the Soviet delegation in future conferences. But we cannot ignore the factor of time involved here. The recovery of Europe has been far slower than had been expected. Disintegrating forces are becoming evident. The patient is sinking while the doctors deliberate. So I believe that action cannot await compromise through exhaustion. New issues arise daily. Whatever action is possible to

meet these pressing problems must be taken without delay.

Finally, I should comment on one aspect of the matter which is of transcendent importance to all our people. While I did not have the benefit, as did Mr. Byrnes, of the presence of the two leading members of the Senate Foreign Relations Committee, I did have the invaluable assistance of Mr. Dulles, a distinguished representative of the Republican party as well as a recognized specialist in foreign relations and in the process of international negotiations and treaty-making. As a matter of fact, the bi-partisan character of the American attitude in the present conduct of foreign affairs was clearly indicated by the strong and successful leadership displayed in the Senate during the period of this conference by Senators Vandenberg and Connally in the debate over a development of our foreign policy of momentous importance to the American people. The fact that there was such evident unity of purpose in Washington was of incalculable assistance to me in Moscow.

The state of the world today and the position of the United States make mandatory, in my opinion, a unity of action on the part of the American people. It is for that reason that I have gone into such lengthy detail in reporting my views on the conference.

### ABA Reaffirms Stand Against Govt. Loan Guaranties

The position which the American Bankers Association has maintained in opposition to the guaranteeing of loans was reaffirmed by the Executive Council of the Association at the closing session in April of its spring meeting at French Lick, Indiana, in a resolution which it adopted dealing with this subject, stating that it "continues to oppose further extension of governmental or semi-governmental lending or guaranty of loans."

The ABA first spoke on this subject at its convention in 1943 in anticipation of the end of the war and the end of the need for special wartime credit devices, and repeated its position at its convention last September. Reaffirming the stand of the Association on this question, the ABA Executive Council meeting adopted the following resolution:

"During the emergencies of the depression and the war, a number of new methods were employed to finance business, including direct lending by the government and government guaranties of loans. With the coming of peace and a return to more normal conditions, these special financing methods need reconsideration because they present several serious dangers.

"Loans and loan guaranties by governmental and semi-governmental agencies are in reality subsidies favoring certain groups of borrowers. They impose a further burden on the taxpayers at a time when the government's budget must be drastically reduced, and they encourage unsound and inflationary lending.

"In the interest of the national economy, this Association continues to oppose further extension of governmental or semi-governmental lending or guaranty of loans and favors a drastic reduction of the government's wartime and emergency powers.

"The country's banking system and other private credit agencies have the resources, the know-how, and the will to supply to business, large and small, the credit it requires and should have."

### Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES (Based on Average Yields)										
1947 Daily Averages	U. S. Govt. Bonds	Avg. Corpo- rate*	Corporate by Earnings*			Corporate by Groups*				
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	
Apr. 29	121.74	117.40	122.50	120.43	117.00	110.34	112.55	118.80	121.25	
28	121.70	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.04	
26	a	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.04	
25	121.74	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.25	
24	121.74	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.25	
23	121.80	117.40	122.50	120.43	117.00	110.15	112.56	118.80	121.01	
22	121.80	117.40	122.50	120.43	117.00	110.15	112.56	118.80	120.84	
21	121.80	117.40	122.50	120.43	117.00	110.15	112.56	118.80	120.84	
19	a	117.40	122.50	120.43	117.00	110.15	112.56	118.80	120.84	
18	121.80	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04	
17	121.77	117.40	122.50	120.43	116.80	110.15	112.37	118.80	120.84	
16	121.80	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04	
15	121.86	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04	
14	121.95	117.40	122.50	122.43	116.80	110.15	112.37	118.80	121.04	
12	a	117.40	122.50	120.43	116.80	110.34	112.56	118.80	121.04	
11	122.02	117.40	122.50	120.43	116.80	110.34	112.37	118.80	121.25	
10	122.11	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.25	
9	122.20	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04	
8	122.20	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04	
7	122.20	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04	
5	a	117.40	122.50	120.43	116.80	110.15	112.56	118.80	121.04	
4	Market	Closed								
3	122.17	117.40	122.50	120.43	116.80	110.15	112.56	118.80	121.04	
2	122.17	117.40	122.50	120.43	117.00	110.15	112.56	118.80	121.04	
1	122.11	117.40	122.50	120.43	117.00	110.15	112.56	118.80	121.04	
Mar. 28	122.27	117.40	122.50	120.43	117.20	110.15	112.75	118.80	121.04	
21	122.24	117.20	122.29	120.22	117.00	110.15	112.56	118.40	121.04	
14	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84	
7	122.17	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84	
Feb. 28	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84	
21	122.14	117.40	122.09	120.22	111.20	110.70	112.93	118.40	121.04	
14	122.20	117.40	122.09	120.02	117.20	110.88	113.12	118.40	120.84	
7	122.20	117.60	122.09	120.22	117.20	111.07	113.31	118.60	120.84	
Jan. 31	122.08	117.40	121.88	120.22	117.40	110.88	113.31	118.80	120.63	
24	122.39	117.60	121.88	120.43	117.40	110.88	113.31	118.80	120.63	
17	122.24	117.40	121.88	120.22	117.40	110.70	113.12	118.60	120.84	
10	122.17	117.20	121.67	119.82	117.20	110.52	113.12	118.40	120.43	
3	122.14	116.80	121.25	119.61	116.80	110.15	112.75	118.00	120.02	
High 1947	122.39	117.60	122.50	120.63	117.40	111.07	113.31	118.80	121.25	
Low 1947	121.70	116.80	121.04	119.61	116.80	110.15	112.56	118.80	121.04	
1 Year Ago	124.39	119.00	123.34	121.46	118.60	113.12	116.41	119.61	121.04	
2 Years Ago	122.38	115.24	120.84	118.40	115.24	106.92	112.19	114.27	119.20	

MOODY'S BOND YIELD AVERAGES (Based on Individual Closing Prices)										
1947 Daily Averages	U. S. Govt. Bonds	Avg. Corpo- rate*	Corporate by Earnings*			Corporate by Groups*				
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	

MOODY'S BOND YIELD AVERAGES (Based on Individual Closing Prices)										
1947 Daily Averages	U. S. Govt. Bonds	Avg. Corpo- rate*	Corporate by Earnings*				Corporate by Groups*			
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	
Apr. 29	1.56	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.59	
28	1.57	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.60	
26	a	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.60	
25	1.56	2.78	2.53	2.62	2.80	3.15	3.03	2.71	2.59	
24	1.56	2.78	2.53	2.62	2.80	3.15	3.03	2.71	2.60	
23	1.56	2.78	2.53	2.63	2.80	3.16	3.03	2.71	2.61	
22	1.56	2.78	2.53	2.63	2.80	3.16	3.03	2.71	2.61	
21	1.56	2.78	2.53	2.63	2.80	3.16	3.03	2.71	2.61	
19	a	2.78	2.53	2.63	2.80	3.16	3.03	2.71	2.61	
18	1.56	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60	
17	1.56	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.63	
16	1.56	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60	
15	1.55	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60	
14	1.55	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60	
12	a	2.78	2.53	2.63	2.81	3.15	3.03	2.71	2.60	
11	1.54	2.78	2.53	2.63	2.81	3.15	3.04	2.71	2.59	
10	1.54	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.59	
8	1.53	2.78	2.53	2.63	2.81	3.16	3.04	2.72	2.60	
9	1.53	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60	
7	1.53	2.78	2.53	2.63	2.81	3.16	3.04	2.72	2.60	
5	a	2.78	2.53	2.63	2.81	3.16	3.03	2.72	2.63	
4	Market Closed									
3	1.53	2.78	2.53	2.63	2.81	3.16	3.03	2.72	2.60	
2	1.53	2.78	2.53	2.63	2.80	3.16	3.03	2.72	2.60	
1	1.54	2.78	2.53	2.63	2.80	3.16	3.03	2.72	2.60	
Mar. 28	1.53	2.78	2.53	2.63	2.79	3.15	3.02	2.72	2.60	
25	1.53	2.78	2.54	2.64	2.80	3.15	3.02	2.73	2.60	
21	1.53	2.79	2.54	2.64	2.80	3.16	3.03	2.73	2.60	
14	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61	
7	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61	
Feb. 28	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61	
21	1.57	2.78	2.55	2.64	2.79	3.13	3.01	2.73	2.60	
14	1.57	2.78	2.55	2.65	2.79	3.12	3.00	2.73	2.61	
7	1.56	2.77	2.55	2.64	2.79	3.11	2.99	2.72	2.61	
Jan. 31	1.57	2.78	2.56	2.64	2.78	3.12	2.99	2.71	2.62	
24	1.55	2.77	2.56	2.63	2.78	3.12	2.99	2.71	2.62	
17	1.56	2.78	2.56	2.64	2.78	3.13	3.00	2.72	2.61	
10	1.57	2.79	2.57	2.66	2.79	3.14	3.00	2.73	2.63	
3	1.57	2.81	2.59	2.67	2.81	3.16	3.02	2.75	2.65	
High 1947	1.57	2.81	2.60	2.67	2.81	3.16	3.04	2.76	2.65	
Low 1947	1.53	2.77	2.53	2.62	2.78	3.11	2.99	2.71	2.59	
1 Year Ago										
Apr. 29, 1946	1.45	2.70	2.49	2.58	2.72	3.00	2.83	2.67	2.60	
2 Years Ago										
Apr. 28, 1945	1.63	2.69	2.61	2.73	2.89	3.34	3.05	2.94	2.89	

## Labor Thrives Best Under Private Enterprise

(Continued from first page)  
Soviet "pattern." The participation of Russian trade-union representatives was given short shrift as a factor in any free determination of wages and working conditions. The Soviet bosses planned it that way.

### Labor Participation in Management

Thus we see the primary approach of the Soviet type of control is through the imposition, by government mandate, of labor participation in management. Laws compelling participation are already in operation in Czechoslovakia, France, Austria, Italy, Finland, Poland and Hungary, and are being discussed in Belgium, Denmark and the Netherlands. It is now only a voluntary procedure in Great Britain, Norway and Sweden.

The movement has reached an important stage in France where legislation was enacted on Feb. 22, 1945. This law required all private commercial and industrial enterprises in continental France, employing more than 100 workers to establish works' or "plant workers' committees. These consist of the employer or his representative and from two to eight workers representing foremen or engineers and employees separately. The employee members are selected by secret ballot from the most representative labor organizations. These committees have broad authority and are intended to govern the enterprises. 4,035 works' committees were created by early 1946, out of a possible total of 5,067. Smaller firms may also be brought into the plan later according to the law of 1945. The principles of labor participation were applied permanently on a nationwide scale in industries taken over by the government, where the State is the Capitalist.

The Communists' attack on free labor—to shackle the workers—had its counterpart in Fascism and Nazism. Its ugly head today in various forms appears in places within our own hemisphere. Five representatives of the American Federation of Labor and four representatives of the Railway Labor Executive Association visited Argentina in January and February of this year, as guests of that government. They discovered that the General Confederation of Labor of Argentina was a mere political arm of the Peronistas, that the government "intervenor" dictate the affairs of the many unions. They found that a license system gives the Government a weapon to stifle any union, and that police power and strike-breaking are used to suppress collective union action. We certainly do not want this kind of labor "representation" in this country.

If the people want to lose their freedom they should do so with their eyes wide open, with knowledge of the absolute truth, with the full facts before them. They should not be rocked asleep in the seductive arms of political, economic and social illusions.

Socialism is Communism in embryo. This is one of the means by which eventual world control is intended to be brought about under Russian Communism. European countries outside of the Soviet orbit, or those which have not as yet been absorbed into the Soviet system of control, are indulging in a variety of alluring socialistic expedients and experiments, some of which manifestly are sanctioned by Moscow—particularly those plans or schemes which are unworkable. This reasoning may seem strange, but it is very clever and very effective. A society which tries Socialism and then gets into even deeper insolvency than the war has already brought, is easy prey for the Soviet carrion bird which si-

lently waits to dive on a weakened economy.

It is this particular bit of revolutionary Russian tactics which American Communists are using today. It is a thing we must watch very closely because the reasoning behind it is a little obscure. But it can be very dangerous to the entire American labor movement.

Here is the way it can work: Let us take a mythical American labor leader—a man who is known to have definite communistic beliefs. The question of restrictive labor legislation comes up. Certain labor-hating legislators and industrialists try to gain support for severe measures to weaken American labor unions. This Communist labor leader fights the measure—or at least seems to. But in reality he is working for it, trying to get it passed. Why? Because he knows that the measure is so stringent, so restrictive, that it would threaten the very backbone of the labor movement. And he knows that if it is passed, it will bring about industrial warfare because American labor will fight back; it simply will not allow itself to be wiped out. He knows that out of this strife chaos can come, and he knows that out of chaos can come communism. Of course, certain legislators and industrialists do not realize that they are being exploited and that in seeking severe controls of law over labor they play directly into the hands of totalitarians.

We must examine with uncompromising suspicion all procedures concerning labor-management relations which are instituted in foreign countries. We must inquire into the natural evolution of policies established before we can consider their possible application to American procedure.

William Green, President of the AFL, once clearly defined the course of free labor participation in management:

"The line of distinction between the rights of labor and of management must be scrupulously observed. The philosophy which some have advanced that labor should join with management in the actual management of property could not and cannot be accepted. It is contrary to American tradition and our free enterprise system."

On this same question, what Samuel Gompers said years ago still holds today:

"The only real effect is to . . . make wage earners dependent upon a political agency to carry industrial problems into politics."

We have in our country power-grabbing and ambitious leaders and groups who watch opportunities to develop laws and policies designed to eventually enslave the ranks of labor. They have their adherents and "fellow travelers." Whether they follow the communist line or the fascist line, there is little difference. They are horses of the same color. Their object is the same—the enslavement of the worker. All of such people must be watched with eternal vigilance, for that is the price of liberty.

### Hysteria in Proposed Labor Legislation

The wave of proposed labor legislation now before the Congress has in it a large measure of hysteria and highly inflammable material. If unfair, hasty and ill-considered legislation is passed, it is certain to develop into a critical injury to the right of labor and management to bargain fully. Such a course logically can lead us directly into the arms of totalitarianism. I earnestly appeal to legislators to consider the character and quality of the fuel they may be manufacturing. This highly volatile mixture may ig-

nite itself, should free collective bargaining in private industry become increasingly difficult—or impossible—to achieve under new laws.

The freedom and sanctity of the contractual relationship between management and labor is too priceless to violate by government coercion and compulsion. And if sound principles of a free economy are compromised, it does not take long before complete government regimentation prohibits dissenting voices from making themselves heard, and people are told not only what to do, when to do it and how much they shall earn, but also what they shall read and think.

The qualities which are of most value to humanity cannot be either developed or brought to the surface except in a competitive society where struggles, trials and tribulations are the order of the day. It is in that fire that the pure gold is segregated from the dross. That is nature's way, but not that of the professor or that of the power grasping politician. I am for the free competitive system, as against any deadening regimented system which would bring the dictator-gangster into control of our lives.

### Difficulties Bred by War Controls

Many of our serious national difficulties and emergencies during the past six or more years arose out of the imposition of war controls, and the utter disregard by the Federal Government in suitably maintaining the integrity of established and sound legal procedures governing disputes between management and labor. To continue any of the wartime controls or to impose executive dictation through labor legislation is not sound national labor policy designed for peaceful industrial relations. It is national political folly.

We must return the control of the labor-management relationship to private industrial processes. Government under our system has no proper function in coercing or unduly influencing either side of the labor-management relationship. It should, of course, provide efficient and effective machinery for our use in industry in the settlement or determination of disputes in the public interest. It should promote and encourage the greatest measure of concerted action and collective bargaining on a fair and equitable basis between the various parties.

Many persons have been misled by the dramatic aspects of government intervention in labor disputes. During World War II, the Government sought to solve labor disputes through directive orders which were issued by the War Labor Board. When one or both sides in the dispute ignored the directive order, the White House ordered seizure of the struck plant. In this manner, production was restored and with the resumption of production, much of the general public believed that the strike had been solved. Such was not the case. After seizing the plant, the Government continued its efforts to adjust the difference between employees and employer. In most instances a basis for agreement was found. But not always.

As a result of the failure to establish that agreement between labor and private management, the strike situation was renewed when the Government quit operating the plant. It then became necessary for management and labor to reach their own agreement. Thus, instead of promoting orderly settlement of disputes, the Government merely projects into the future the ultimate day of accounting when it adopts a policy

of operating struck plants. It seems wise to ask at this point whether government isn't plowing the field and sowing the seed of socialism when it operates a private enterprise, especially when many persons are led to believe that all is serene under government control?

I have endeavored to point out in my statements to you this evening how insidiously the poison of dictatorship moves within the body politic. I have given you factual examples of the process of the virus in Europe. This country can be just as vulnerable if, by legislation, we weaken our capacity to maintain private enterprise.

Railroad management and labor, by concerted action, in 1926 were able to secure the enactment of the Railway Labor Act even in the midst of the unfair and sometimes vicious attacks of industrial management on trade unionism which labor had experienced all through the 1920's. The Act was formulated at the very height of the rapid development of industry-sponsored and financed company unionism designed to destroy the American Federation of Labor and some of the railroad unions. Yet it was possible in the heat of that strife and bitterness for railroad management and labor to secure the enactment of the Railway Labor Act which, with its amendments, assures and safeguards effective free enterprise procedures in the la-

bor-management relationship. If satisfactory legislation could be enacted then, it can be enacted today, within the atmosphere of our present tension.

On the whole, outside of the war period, the Railway Labor Act has been satisfactory to contractual parties, and has not disturbed the public interest. It has, however, required increased skillfulness of both parties in the handling of negotiations.

### Legislative Reaction to Industrial Labor Action

Consideration of the labor-management relationship to the American economy in the current era is of most serious importance. These considerations require cool reason and sound judgment by the public and its legislators if we are to avoid distress or even disaster.

Many in the Congress, without first having exhausted their resources to insure an enduring peace in our industrial life, have set out to impose legislation that would destroy the ability of labor and management to deal satisfactorily with each other within a free economy.

At this critical point in the prevailing situation both at home and abroad, this problem must have the most cautious scrutiny, without hasty action, if we are to have a sensible and constructive answer.

I pray that sound judgment and lack of hysteria will prevail.

## Anderson Urges Food Abundance

Secretary of Agriculture Clinton P. Anderson, at a hearing on April 21 of the House Agriculture Committee, which is considering legislation to replace the wartime price support program, indicated that he held little hope of material cuts in retail food prices in the near future, and proposed that any future program be based on "organized, sustained and realistic abundance." He said that "floors under consumption" as well as under farm prices are needed, and urged that there be no return to the prewar production control, method, Washington A. P. advises April 21 stated. The present Government price support program is due to expire at the end of 1948, and Mr. Anderson recommended that it be replaced by a system under which the Government would boost the food-buying power of the poor in bad times, rather than pay farmers to produce less. He did not estimate the cost of a food allotment plan, but Agriculture Department studies have indicated that the outlay would reach a possible \$1,500,000,000 a year in depression times, in addition to perhaps \$600,000,000 for a lunch program in all schools.

The Committee's Chairman, Representative Clifford R. Hope (R.-Kan.) was reported to have said that he could go along with Mr. Anderson's proposals providing details can be worked out satisfactorily. He explained, however, that the Committee has no intention of writing a new farm bill this session. The Committee will hold several weeks of hearings to get the views of all interested persons and groups for study in preparation for legislative action next year.

On the subject of international trade, the Secretary of Agriculture, according to the same advice, presented the following views, according to the Associated Press:

"It seems inevitable that we will continue to need regular and sizable foreign markets for cotton, wheat, tobacco, lard, rice and certain fruits and vegetables. . . . We need the benefits of an international organization to reduce trade barriers and to provide a world clearing house for commodity agreements which preserve the

principle of international economic collaboration without running contrary to domestic policy.

"Mr. Anderson also said agriculture's parity formula needs overhauling. (Many Government farm programs are tied to a 'parity' price. Government aids begin when prices fall below parity. Generally speaking, parity is a price at which a commodity has the same purchasing power that it had in some past period. Thus the parity price fluctuates with prices of industrial products the farmer buys.)"

### Sees World Food Crisis

Herbert Hoover, who made a survey of Europe's food production prospects for President Truman, stated at an informal news conference on April 18, according to Associated Press Washington advice, that he had endorsed House legislation to supply \$350,000,000 in relief to European countries at a closed session of the Senate Foreign Relations Committee, and expressed fears of greater world food problems next year. The former President said that a serious crisis might be in store primarily because of the destruction of Europe's fertilizer manufacturing plants by the war's victors. The most important thing is, according to the opinion he expressed, to get the productive capacity of Europe built up again immediately. "All Europe is gasping for fertilizer," he said. Mr. Hoover stated that "all the Allies" had dismantled in Germany plants which could have been used for making munitions, and those were the plants which could produce phosphorous and nitrogen for fertilizers. The Associated Press reported him as saying:

"If we are going to take that line," he declared, "we might as well conclude that the American taxpayer is going to pay the food bill for Europe from now on."

"At the present time," Mr. Hoover said, "that 90% of the world's exports of foods comes from the United States, Canada, Argentina and Australia, which have about 9% of the total population."

"Today the whole world depends on exported food," he said. "The first thing the world needs today is a restoration of its productivity."

## The State of Trade

(Continued from page 3)

\$31.83 a gross ton, a drop of \$2.92 from the previous week's figure of \$34.75. The price last week was down \$7.84 a ton from the all-time high reached in the middle of March when the composite was \$39.67. The completion of old high-priced orders and a general reaction from the ridiculously high quotations of a month ago were the major reasons for the decline. Some sources saw this scrap price drop as an indication of a more normal steel market in the months to come.

Significant trends in the U. S. Steel-United Steelworkers wage contract, which will be accepted by other steel companies, included: Emphasis by Mr. Murray on the 2-year time limit; accent on the various social features of the agreement; the fact that the contract was retroactive to April 1 instead of Feb. 15, the date when the original contract expired; and, finally, the brushing off by the union of the whole portal-to-portal question except where an individual wants to keep it alive.

Both the union and the company have estimated the cost of the new wage agreement, but its actual effect on steel earnings will not be known for a few months at least. It appears that the cost will be so great, the magazine points out, that any chance of base price cuts in the steel industry can be termed no more than a mere possibility. But there is every indication that U. S. Steel Corp. is banking heavily on greater employee morale and efficiency to prevent the necessity for any upward change in current steel prices.

Steel processors who in years gone by have more or less had to accept the big steel wage contract pattern are going to find the new contract tough going. Already there are deep rumblings as to their inability to pay such a wage bill. However, it is expected that the broad outlines of the U. S. Steel contract will be adhered to and that local issues will be worked out with the union, "The Iron Age" adds.

Except for the possibility of labor trouble in the coal mines on July 1, the steel industry is now able to concentrate its full attention on steel production.

Steel firms have already made considerable headway in reducing unwieldy backlogs. Most steel producers broke all previous peacetime production records in the first quarter of this year and the same trend continued into April. Allotments to steel consumers now being mailed indicate a slightly easier steel situation over the next several months.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 93% of the steel capacity of the industry will be 96.4% of capacity for the week beginning April 28, 1947, as compared with 95.0% one week ago, 95.4% one month ago and 67.7% one year ago. This represents an increase of 1.4 points or 1.5% from the preceding week.

The week's operating rate is equivalent to 1,686,900 tons of steel ingots and castings compared with 1,662,400 tons one week ago, 1,669,400 tons one month ago and 1,193,100 tons one year ago.

**Electric Production Up**—The Edison Electric Institute reports that the output of electricity increased to 4,660,320,000 kwh. in the week ended April 19, 1947, from 4,619,700,000 kwh. in the preceding week. Output for the week ended April 19, 1947, was 16.9% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 201,900,000 kwh. in the week ended April 20, 1947, compared with 177,500,000 kwh. for the corresponding week of 1946, or an increase of 13.7%. Local distribu-

tion of electricity amounted to 189,300,000 kwh. compared with 170,600,000 kwh. for the corresponding week of last year, an increase of 10.9%.

**Railroad Freight Loadings Rise**—Car loadings of revenue freight for the week ended April 19, 1947, totaled 865,846 cars, the Association of American Railroads announced. This was an increase of 107,680 cars, or 14.2% above the preceding week, and 215,003 cars, or 33.0% above the corresponding week for 1946. Compared with the similar period of 1945, an increase of 1,146 cars, or 0.1%, is shown.

**Paper and Paperboard Production Higher**—Paper production in the United States for the week ended April 19 was 104.4% of mill capacity, against 100.7% (revised figure) in the preceding week and 102.5% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the same week was 102%, compared with 96% in the preceding week and 101% in the corresponding week a year ago.

**February Business Incorporations Decline from 1946 Level**—Following the usual seasonal trend, the number of new business (stock) incorporations in the United States declined quite sharply to 9,097 in February, from 12,102 during January, a drop of 3,005, or 24.8%. Charterings in February were below the level of a year ago for the second successive month, the total comparing with 10,554 in February, 1946, a decrease of 1,457, or 13.8%. Forty-two out of the 48 States had fewer charters issued in February than in January.

During the first two months of this year, 21,199 stock companies were chartered throughout the country, representing a drop of 2,361, or 10.0%, below the comparative 1946 period with 23,560.

**Business Failures Continue High**—Little change occurred in commercial and industrial failures in the week ending April 24, Dun & Bradstreet, Inc. reports. Totalling 66, concerns failing were two short of the number registered in the previous week, but continued to be about four times as numerous as in the comparable week of 1946. Failures in the week just ended were higher than those in the same week of any of the preceding four years.

Large failures with liabilities of \$5,000 or more outnumbered small failures by more than 5-to-1. Concerns failing in the large size group rose from 53 a week ago to 56 this week, over 4½ times as many as in 1946's comparable week. Small failures involving liabilities under \$5,000 declined from 15 last week to 10 in the week just ended, but remained twice as numerous as a year ago.

Retailing, with 24 failures, and manufacturing, with 22, accounted for over two-thirds of the week's total. In neither of these groups were failures as numerous as last week, but compared with the same week a year ago, twice as many manufacturers failed this week and six times as many retailers. Contrary to the slight over-all fluctuation this week, a sharp rise occurred in failures in wholesale trade and commercial service, with concerns failing in these lines doubling the number reported a week ago. In construction, failures remained at a very low level.

Over one-third of the week's total failures were concentrated in the East North Central States. Twenty-four concerns failed in this region which had the sharpest rise in failures not only from the previous week when only five occurred in this area but also from the corresponding week of last year when there were only three. The Middle Atlantic States with

17 and the Pacific States with 13 were the only other regions where failures rose above 10 this week. No failures were reported in three areas: the East South Central, West South Central, and Mountain States. In the same week a year ago no more than four concerns failed in any area.

Canadian failures numbered four, the same as in the preceding week and in the comparable week of 1946.

**Food Price Index Lowest in Six Months**—Off another 18 cents in the latest week, the Dun & Bradstreet wholesale food price index for April 22 registered \$6.06. The cumulative drop since March 4 when the index reached its all-time high of \$6.77, amounts to 71 cents, or 10.5%. It also marks the lowest level reached since the \$5.40 figure recorded on Oct. 8, 1946, just prior to the lifting of controls from many major food items. The current index, however, is considerably higher than the \$4.19 for the corresponding date a year ago.

Advances during the week occurred in wheat, rye, barley, hams, beans, eggs, beef and steers. These were more than balanced by declines in flour, corn, oats, bellies, lard, butter, cheese, coffee, cottonseed oil, cocoa, potatoes, hogs and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

**Daily Wholesale Commodity Price Index Today**—The wholesale price level appeared steadier last week, as evidenced by the narrow movements of the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc. The index closed at 257.74 on April 22, as against 258.33 a week earlier. At this time a year ago it stood at 189.48.

Grain markets were again unsettled and prices during the week continued to fluctuate uncertainly. Cash wheat finished higher but futures were under pressure due to a check in government buying and a drying up of domestic demand for flour. Country offerings of corn in the cash market were heavy. Prices moved erratically and weakened at the close largely due to the absence of government buying.

Prospects for the new Winter wheat crop appeared brighter as the result of favorable weather in the West and Southwest, but the outlook for the European wheat crop was said to be unfavorable. Cocoa prices receded in light trading as demand from manufacturers remained low. Warehouse stocks of cocoa beans were reported at a new low for the year at 84,323 bags as compared with 241,292 a year ago. Coffee prices fluctuated over a wide range, with Santos 4s showing a net drop of one cent per pound. With receipts large, hog prices continued to work downward, reaching the lowest levels since late last January. Lard dropped another 2½ cents per pound as the result of reduced export allocations, combined with slow domestic demand.

Cotton prices turned upward in the past week following the downward trend of the preceding two weeks. Both futures and spot markets were stronger, the latter showing a net advance of 193 points for the week. Early in the period, prices were depressed by reports of a slowing down in textile markets and expectations of a decrease in export trade during the coming season. In late dealings buying was stimulated by reports of continued heavy domestic mill consumption and reports of further delay in soil preparation and seeding in the South due to heavy rains. Mill consumption of cotton as reported by the Census Bureau totaled 875,124 bales during March, as compared with 840,463 in February, and 804,290 during March of last year. Consumption on a daily average basis last month was estimated at 41,000 bales. This was slightly below the February rate,

but about 9% higher than in March a year earlier. Trading in cotton gray goods was somewhat broader but some spot sales were reported at prices well below recent high levels.

With the cessation of buying of domestic wools by the Commodity Credit Corporation at midnight, April 15, trading in domestic wools in the Boston market continued very slow. Australian wool auctions were reopened last week with prices showing an upward trend. Reports from the West indicated a later than normal shearing season due to rains and cold weather.

**Retail and Wholesale Trade**—Total retail volume declined slightly in the week, but dollar volume held about even with the high level of the corresponding week a year ago. Reports indicated wide fluctuations in sales volume in some areas. Increased resistance to high prices, labor difficulties, and unfavorable weather were among the many factors affecting consumer purchasing this week, Dun & Bradstreet, Inc. reported in its current survey of trade.

Interest in women's apparel declined slightly last week with clearance sales of dresses and topcoats prevalent. Bridal and formal wear departments were crowded. The demand for women's Spring and Summer suits, hats and gloves continued strong, but considerable price resistance was reported. Requests for men's athletic shirts, hose and other items of sports apparel were more frequent than they were in previous weeks.

Retail grocery volume remained at a high level the past week and was moderately above that of the corresponding week a year ago. The price of butter dropped slightly in most areas. The demand for canned goods generally was moderate, though many localities reported shortages of canned tuna fish and salmon. Meat and poultry were plentiful and prices remained firm. Fresh fruits and vegetables were available in ample quantities.

Consumer interest in fishing equipment, golf clubs and other sporting goods continued to increase. The demand for electrical appliances continued strong and in many sections of the country large quantities of unknown brand radios were available at considerably reduced prices. Automobile supplies, building materials, paint and hardware remained among the items most heavily in demand.

Retail volume for the country as a whole for the week ending Wednesday last, was estimated to be from 2% below to 2% above that of the corresponding week a year ago. Regional estimates compared with those of a year ago as follows: New England and South 3 to 7% above a year ago, Pacific Coast 4 to 8% above, East and Southwest from 3% below to 1% above, Middle West 2 to 6% below, Northwest 1 to 5% below.

Activity in wholesale centers increased slightly last week with total volume moderately above that of a year ago. Reorder volume rose noticeably, reflecting chiefly the reduction of retail inventories by recent clearance and markdown sales. Buyers gave considerable attention to deliveries of previous commitments. Uncertain price conditions continued to restrict ordering of merchandise to be delivered in the third and fourth quarters.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 19, 1947, decreased by 6% below the same period of last year. This compared with a decrease of 6% in the preceding week. For the four weeks ended April 19, 1947, sales increased by 3% and for the year to date by 10%.

Retail trade in New York reacted sharply the past week following volume declines of the two preceding weeks. Department

store volume, according to estimates, was close to 15% above that of the similar week of 1946, with advances for some stores ranging upwards to 30%. It is believed the month of April as a whole will show a slight increase.

In the durable goods line, lowered prices and increased supplies prevailed. Machinery continued in strong demand, with increased ordering of equipment for export buyers.

Garment markets continued inactive, with few purchases for Spring fill-ins, while primary rayon markets remained strong on third-quarter deliveries.

In wholesale food lines, prices continued to follow reductions in primary markets and moved lower on a number of basic consumer items.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 19, 1947, decreased 3% below the same period last year. This compared with a decrease of 5% in the preceding week. For the four weeks ended April 19, 1947, sales rose 2% and for the year to date increased 10%.

## Debit Balances on N. Y. S. E. in March

The New York Stock Exchange reported on April 14, that as of the close of business on March 31, 1947, member firms of the Exchange carrying margin accounts reported as follows:

Total of customers' net debit balances of \$576,096,707 on March 31, against \$572,917,994 on Feb. 28. These figures include all securities, commodity and other accounts. Do not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" accounts of reporting firms, or accounts of general partners of those firms. The Exchange's announcement of April 14 added:

Credit extended to customers on U. S. Government obligations was \$64,684,677 on March 31, against \$66,060,671 on Feb. 28. (This amount is included in the net debit balance total.)

Cash on hand and in banks in the United States amounted to \$410,873,423 on March 31, compared with \$407,825,494 on Feb. 28.

Total of customers' free credit balances was shown as \$677,170,349 March 31, against \$681,134,347 on Feb. 28, 1947. These figures include free credit balances in regulated commodity accounts. Do not include free credit balances held for other firms which are members of national securities exchanges, or free credit balances held for the accounts of reporting firms or of general partners of those firms.

## Truman Visits Mother

On April 12, the day on which he completed two years in the White House, President Truman flew to Grand View, Mo., for a visit to his mother and a few close friends and relatives. His only official observance of the anniversary was a three-minute radio address in which he paid tribute to his predecessor, Franklin D. Roosevelt. The President said, according to an Associated Press dispatch, that his health is as excellent as it was when he took office two years ago. Although he will be 63 years old on May 8, his physician, Brig. Gen. Wallace Graham, has said that he has the energy of the average man twenty years younger. The President spent the night at a hotel in Kansas City, where a few close friends were invited to dine with him. He paid another visit to his mother in Grand View the following day, before flying back to Washington.

## Wholesale Prices Declined 0.6% in Week Ended April 19, Labor Department Reports\*

Continuing declines for agricultural commodities caused a decrease of 0.6% in average primary market prices during the week ended April 19, 1947, according to the Bureau of Labor Statistics, U. S. Department of Labor. The Bureau in indicating this on April 24, stated that its index of commodity prices in primary markets dropped to 147.2% of the 1926 average, 1.5% below the peak level of three weeks ago and 34.3% higher than the corresponding week of last year. In its report for the week ended April 19 the Bureau added:

**"Farm Products and Foods"** — Largely reflecting resistance to recent high prices and increased supplies, average market prices of farm products decreased 2.6% during the week. Livestock and poultry quotations dropped to the lowest level since early February. Hog quotations were down 9% and steers 6%. Grain quotations decreased fractionally. Contrary to the normal seasonal movement, egg prices advanced, reflecting retarded production as well as heavy demand which has reduced storage stocks to an unusually low level. Prices of fruits and vegetables were lower with larger supplies. Quotations for foreign wool increased. As a group farm products were 4.8% below the mid-March peak and 29.5% above a year ago.

**"Food prices declined 0.5% with lower prices in all subgroups except cereal products."** Sharp increases in production brought lower prices of butter and cheese. Prices of meats were generally lower. Quotations for flour were up substantially, because of earlier price increases for grains, despite reduced buying by mills. Prices of animal and vegetable fats and oils and pepper continued to decline with generally reduced demand and larger supplies. As a group foods were nearly 5% below early March and 46.9% above last year.

**"All Commodities"** — Average prices of all commodities other than farm products and foods rose 0.2% during the week but there were declines for some important commodities. Higher costs caused increases for some chemicals and certain metal products, including babbitt metal, solder and gray iron castings. However, scrap steel prices declined substantially as collections improved and demand weakened with improved inventories. Chemicals and allied products decreased 1.5% as a group as reduced demand, coupled with resistance to previous high prices, caused declines for a number of fats and oils and fatty acids. Larger supplies resulted in lower prices for organic fertilizer materials.

**"Lumber prices continued to advance on the average, but prices of lower grades of southern pine declined, particularly on the eastern seaboard. Further increases were reported for paint materials, increased costs of sulphate pulp caused substantially higher prices for wrapping paper, and boxboard continued to advance. Crude rubber prices were lower and prices of gasoline, which had been advancing recently declined somewhat. Soap prices continued to advance. Cattle feed again declined. Lack of demand by tanners was reflected in substantially lower prices for calfskins and prices of print cloth dropped nearly 10%."**

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS  
FOR WEEK ENDED APRIL 19, 1947  
(1926=100)

Commodity Groups—	4-19 1947	4-12 1947	4-5 1947	3-22 1947	4-20 1946	Percent change to April 19, 1947 from—
						4-12 3-22 4-20 1947 1947 1946
All commodities.....	147.2	148.1	145.8	149.0	169.6	-0.6 -1.2 +34.3
Farm products.....	175.4	180.1	181.2	182.9	135.4	-2.6 -4.1 +29.5
Food.....	162.2	163.0	164.4	166.2	110.4	-0.5 -2.4 +46.9
Hides and leather products.....	172.5	173.8	174.3	174.9	120.3	-0.7 -1.4 +43.4
Textile products.....	138.8	139.6	139.3	138.7	105.2	-0.6 +0.1 +31.9
Fuel and lighting materials.....	104.1	104.9	103.9	101.7	86.6	+0.1 +2.4 +20.2
Metals and metal products.....	140.9	140.3	140.3	140.3	109.0	+0.4 +0.4 +29.3
Building materials.....	178.4	177.9	177.8	176.7	126.0	+0.3 +1.0 +41.6
Chemicals and allied products.....	132.5	134.5	134.5	133.0	96.1	-1.5 -0.4 +57.9
Household goods.....	123.1	126.7	126.7	126.6	108.7	+1.1 +1.2 +17.3
Miscellaneous commodities.....	115.6	114.3	115.7	114.6	95.4	+1.1 +0.9 +21.2
Special Groups—						
Raw materials.....	169.3	163.4	164.0	164.3	123.0	-1.9 -2.4 +30.3
Semi-manufactured articles.....	146.0	146.2	145.6	145.1	100.8	-0.1 +0.6 +44.8
Manufactured products.....	142.1	142.0	142.8	143.1	105.1	+0.1 -0.7 +35.2
All commodities other than farm products.....	141.1	141.2	141.7	141.6	103.9	-0.1 -0.4 +35.0
Farm products and foods.....	132.4	132.1	132.3	131.3	103.1	+0.2 +0.8 +28.4

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM  
APRIL 12, 1947 TO APRIL 19, 1947

	Increases	Decreases
Other miscellaneous.....	2.1 Nonferrous metals.....	6.7 Dairy products.....
Paper and pulp.....	1.9 Brick and tile.....	5.8 Meats.....
Cereal products.....	1.7 Agricultural implements.....	4.3 Fertilizer materials.....
Furnishings.....	1.3 Paint and paint materials.....	2.4 Other foods.....
Furniture.....	0.8 Bituminous coal.....	1.5 Grains.....
Iron and steel.....	0.7 Cement.....	1.6 Chemicals.....
Lumber.....	0.5 Drugs and pharmaceuticals.....	1.0 Other textile products.....
		0.3 Petroleum and products.....

\*Based on the BLS weekly index of prices of about 900 commodities which measures changes in the general level of primary market prices. This index should be distinguished from the daily index of 28 commodities. For the most part, prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

## Civil Engineering Construction Totals \$88,420,000 for Week

Civil engineering construction volume in continental United States totals \$88,420,000 for the week ending April 24, 1947, as reported by "Engineering News-Record." This volume is 20% below the previous week, 33% below the corresponding week of last year, and 17% below the previous four-week moving average. The report, issued on April 24, went on to say:

Private construction this week, \$42,401,000, is 28% less than last week, and 49% below the week last year. Public construction, \$46,019,000, is 12% above last week, but 3% less than the week last year. State and municipal construction, \$35,372,000, 23% above last week,

is 32% above the 1946 week. Federal construction, \$10,647,000, is 14% below last week, and 40% below the week last year.

Total engineering construction for the 17-week period of 1947 records a cumulative total of \$1,642,347,000, which is 8% above the total for a like period of 1946. On a cumulative basis, private construction in 1947 totals \$1,008,198,000, which is 0.6% above that for 1946. Public construction, \$634,149,000, is 23% greater than the cumulative total for the corresponding period of 1946, whereas state and municipal construction, \$480,674,000 to date, is 41% above 1946. Federal construction, \$153,475,000 dropped 11% below the 17-week total of 1946.

Civil engineering construction volume for the current week, last week, and the 1946 week are:

	Apr. 24, 1947	Apr. 17, 1947	Apr. 25, 1946
Total U. S. Construction.....	\$88,420,000	\$110,091,000	\$131,594,000
Private Construction.....	42,401,000	63,872,000	83,937,000
Public Construction.....	46,019,000	41,219,000	47,657,000
State and Municipal.....	35,372,000	28,846,000	26,882,000
Federal.....	10,647,000	12,373,000	20,775,000

In the classified construction groups, waterworks, bridges, earth-work and drainage, highways and unclassified construction gained this week over last week. Three of the nine classes recorded gains this week over the 1946 week as follows: waterworks, bridges, and public buildings.

### New Capital

New capital for construction purposes this week totals \$44,489,000 and is made up of \$24,489,000 in state and municipal bond sales and \$20,000,000 in corporate securities. New capital for construction purposes for the 17-week period of 1947 totals \$538,144,000, 22% greater than the \$439,959,000 reported for the corresponding period of 1946.

## The National Fertilizer Association Wholesale Commodity Price Index Declines

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on April 28 declined to 196.7 for the week ended April 26, 1947 from 198.0 in the preceding week. This is the fourth consecutive week in which the index has declined and it is now lower than at any time since the week ended Feb. 22, 1947. A month ago the index stood at 200.5 and a year ago at 145.7, all based on the 1935-1939 average as 100. The Association's report added:

During the week eight of the composite groups in the index declined while one advanced; the other two remained at the level of the preceding week. Lower prices for butter, cheese, flour, cocoa, coffee, veal and pork caused the foods index to fall, although higher prices were listed for bananas, oranges, beans, ham, and beef. Quotations for cotton, calves, lambs, and hay rose, but the lower prices for grains, hogs, poultry, and eggs caused the farm products index to decline. Lower quotations for hides, calfskins, rubber, and feeds were responsible for the fall in the miscellaneous commodities index. The decline in the metals index was due to a price reduction for steel scrap. The fertilizer materials index and the farm machinery index declined. The indexes for building materials and for chemicals and drugs dropped, while the index for the textiles group rose.

During the week 35 price series in the index declined and 11 advanced; in the preceding week 33 declined and 15 advanced; in the second preceding week 27 declined and 16 advanced.

### WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100\*

Each Group Bears to the Total Index	Group	Latest Week 1947	Preceding Week 1947	Month Ago Mar. 29, 1947	Year Ago Apr. 27, 1946
25.3	Foods.....	218.5	220.6	222.7	144.3
	Fats and Oils.....	286.8	298.6	321.4	147.4
	Cottonseed Oil.....	433.1	433.1	433.1	163.1
23.0	Farm Products.....	242.5	245.1	251.0	175.2
	Cotton.....	336.1	330.4	339.5	263.6
	Grains.....	249.9	257.9	254.0	174.0
	Livestock.....	228.1	231.1	240.1	161.6
17.3	Fuels.....	169.8	169.8	168.8	130.4
10.8	Miscellaneous Commodities.....	157.8	158.3	163.3	134.5
8.2	Textiles.....	217.3	216.5	217.9	167.0
7.1	Metals.....	148.1	148.4	147.9	117.9
6.1	Building Materials.....	203.2	203.4	203.4	167.8
1.3	Chemicals and Drugs.....	157.1	158.4	154.5	127.5
.3	Fertilizer Materials.....	127.5	127.6	128.0	116.4
.3	Fertilizers.....	134.5	134.5	133.7	119.8
.3	Farm Machinery.....	125.5	126.3	126.3	105.8
100.0	All groups combined.....	196.7	198.0	200.5	145.7

\*Indexes on 1926-28 base were: April 26, 1947, 153.2; April 19, 1947, 154.2; and April 27, 1946, 113.5. r revised.

## Denmark's King Dies

King Christian X of Denmark died on April 20, at the age of 76, after 15 days' illness brought about by a heart attack on Easter, an Associated Press dispatch from Copenhagen stated. His son, 48-year-old Crown Prince Frederick, automatically succeeded him. From the press accounts we also quote:

"A great through of sorrowful Danes, expecting their beloved King's death at any moment, had gathered in the square in front of the castle to await news of the king, who chose to remain with his people during five years of Nazi occupation. Premier Kristensen appeared on the castle balcony and announced the King's death."

King Christian was the elder brother of King Haakon VII of Norway, who is 75. He was a nephew of the late Queen Alexandra, wife of King Edward VII of England. With few exceptions,

the late king was said to have always worked well together with his subjects, and never better than during the difficult days of the Nazi occupation. Said the Associated Press:

"The spearhead of the people's resistance was the king, and in every way he set them examples of behavior. Knowing that Denmark was helpless against the force of the Wehrmacht, he and his government accepted the occupation on April 9, 1940, 'under protest,' but in the following years the king five times refused to form a new Danish cabinet to help the Nazis put down Danish sabotage and resistance."

President Truman sent a formal expression of sympathy to the widow of King Christian, and to his son, now King Frederick IX. In part the President said:

"All Americans will share my feeling of sympathy with the people of Denmark in the loss of their beloved sovereign."

## Arnold Would Curtail I. T. U. Practices

Thurman Arnold, former Assistant Attorney General, who is now engaged in private law practice, testifying before a Senate Small Business subcommittee, on April 17, accused the International Typographical Union of policies and methods which work against small newspapers and tend to eliminate jobs, according to Associated Press Washington advices. The former head of the Justice Department's Anti-Trust Division made it clear that he regarded the issue primarily as a problem of small business, "the victim of organized coercion which destroys its efficiency and deprives it of a fair chance to compete against larger industrial organizations." The issue has "nothing to do with any practice on the part of labor unions which concern their legitimate objectives," he went on to say.

Mr. Arnold was counsel for the St. Petersburg (Fla.) "Times" last February, when the National Labor Relations Board threw out an unfair labor practice charge by the ITU against the newspaper. Mr. Arnold recommended that the following practices be specified as unlawful, it was stated in special advices April 17 from Washington to the New York "Times," according to the Associated Press:

"1. Economic restraints or economic coercion of any kind by a labor organization designed to prevent use of cheaper material, improved equipment or more efficient methods."

"2. Restraint of trade or organized coercion of any character by any labor union to compel the hiring of useless and unnecessary labor."

"3. Restraint of trade or organized coercion of any character by labor unions to compel or induce or aid in fixing prices for any commodity or service except wages."

Mr. Arnold further suggested that these recommendations be accomplished "by making the anti-trust laws apply to such practices, although, of course, appropriate legislation could be effected by a new law."

## Mtge. Clinic Announced By MBA at Kansas City

How mortgage lenders, bankers, builders and real estate men may act more effectively to speed up construction of rental housing to help relieve the housing shortage will be one of the principal subjects to be reviewed at the third 1947 Mortgage Clinic sponsored by the Mortgage Bankers Association of America at Hotel President, Kansas City, Mo., May 8 and 9. Preceding the two-day conference, members of the Board of Governors and Regional Vice-Presidents of the Association from all over the country will convene for their regular Spring meeting, the first time the group has met in Kansas City. The Clinic and Board meeting will be in charge of Guy T. O. Hollyday, Baltimore, Association President, and John C. Thompson, Newark, N. J., Vice-President and Chairman of the Executive Committee. Byron T. Shutz, President of Herbert V. Jones & Co., at Kansas City, and a former President of the Association, is in charge of arrangements for the meeting and Clinic. Also up for discussion are the progress of the GI home loan program, cooperative housing, reducing costs through new construction methods and other building problems. With about a third of present FHA insurance commitments consisting of rental housing units, the present drive for more of this type of construction is believed to be well under way. The Kansas City meeting, it is hoped, will further stimulate the effort.

## Daily Average Crude Oil Production for Week Ended April 19, 1947 Slightly Off From 1946

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended April 19, 1947 was 4,912,100 barrels, a decrease of 850 barrels per day from the preceding week. It was, however, an increase of 225,800 barrels per day over the corresponding week of 1946, and exceeded by 62,100 barrels the daily average figure of 4,850,000 barrels estimated by the United States Bureau of Mines as the requirement for the month of April, 1947. Daily output for the four weeks ended April 19, 1947 averaged 4,902,050 barrels. The Institute's statement adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,709,000 barrels of crude oil daily and produced 13,966,000 barrels of gasoline; 2,007,000 barrels of kerosene; 5,263,000 barrels of distillate fuel, and 7,961,900 barrels of residual fuel oil during the week ended April 19, 1947; and had in storage at the end of the week; 105,592,000 barrels of finished and unfinished gasoline; 9,308,000 barrels of kerosene; 31,470,000 barrels of distillate fuel, and 42,749,000 barrels of residual fuel oil.

### DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements April	State Allow- ables Begin. Apr. 1	Actual Production Week Ended Apr. 19, 1947	Change from Previous Week	4 Weeks Ended Apr. 19, 1947	Week Ended Apr. 20, 1946
**New York-Penna.	49,200		47,600	- 1,200	47,400	49,150
Florida			600		400	100
**West Virginia	8,000		8,200	+ 400	7,850	7,650
**Ohio—Southeast	8,000		6,400	+ 150	6,450	5,500
Ohio—Other			2,600	- 150	2,500	2,450
Indiana	18,000		18,150	- 350	18,300	18,700
Illinois	210,000		184,550	- 1,550	184,800	207,600
Kentucky	29,000		24,650	- 750	26,150	31,100
Michigan	47,000		42,150	- 1,700	43,050	44,350
Nebraska	700		7600		600	750
Kansas	275,000	275,000	278,450	+ 8,650	275,300	262,400
Oklahoma	380,000	378,125	376,500	- 2,000	378,550	378,750
Texas						
District I			20,750		20,700	
District II			158,000		157,950	
District III			480,600		482,050	
District IV			241,950		241,950	
District V			38,050		38,100	
East Texas			335,000		330,300	
Other Dist. VI			111,500		111,400	
District VII-B			37,000		36,900	
District VII-C			36,300		36,000	
District VIII			485,950		483,300	
District IX			136,200		134,900	
District X			84,850		84,800	
Total Texas	2,120,000	2,186,125	2,166,150		2,158,350	2,054,600
North Louisiana			96,200	+ 850	95,350	85,950
Coastal Louisiana			313,450		313,050	286,800
Total Louisiana	410,000	447,000	409,650	+ 850	408,400	372,750
Arkansas	79,000	82,693	73,950	+ 300	73,550	77,500
Mississippi	84,000		85,400	- 1,600	86,250	55,700
Alabama	2,100		400	- 500	1,000	1,100
New Mexico—So. East	102,000	112,000	102,600		102,800	95,300
New Mexico—Other			500		500	500
Wyoming	106,000		115,000	+ 200	111,600	114,250
Montana	24,000		21,900	- 1,150	21,850	20,050
Colorado	38,000		38,200	+ 3,050	36,750	26,350
California	860,000	884,200	907,500	- 3,500	909,650	859,700
Total United States	4,850,000	4,912,100	4,912,100	- 850	4,902,050	4,686,300
**Pennsylvania Grade (included above)		62,200		- 650	61,700	62,300

\*These are Bureau of Mines calculations of the requirements of domestic crude oil based upon certain premises outlined in its detailed forecasts. They include the condensate that is moved in crude pipelines. The A. P. I. figures are crude oil only. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted, as pointed out by the Bureau, from its estimated requirements to determine the amount of new crude to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. April 17, 1947.

‡This is the net basic allowable as of April 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and for certain other fields for which shutdowns were ordered for from 4 to 12 days, the entire State was ordered shut down for 4 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 4 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

### CRUDE RUNS TO STILL; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSENE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL OIL, WEEK ENDED APRIL 19, 1947

(Figures in thousands of barrels of 42 gallons each)

	% Daily Refining Capac. Report/g	Crude Runs to Still Daily % Op- erated	Gasoline Produced Inc. Nat. Blended	Unfin. Gasoline Stocks	Gas, Oil of Kero- sene	Stks. of Fuel Oil	Stks. of Dist. Resid. Fuel Oil
East Coast	99.5	855	101.9	1,794	22,334	4,196	8,785
Appalachian							
District No. 1	76.3	92	64.3	263	2,637	178	332
District No. 2	84.7	65	104.8	212	1,101	41	69
Ind., Ill., Ky.	87.4	711	81.7	2,421	22,322	1,160	2,452
Okl., Kans., Mo.	78.3	369	76.7	1,272	10,386	315	1,164
Inland Texas	59.8	219	66.4	1,010	4,326	215	289
Texas Gulf Coast	89.2	1,009	82.3	3,006	14,923	1,390	5,355
Louisiana Gulf Coast	97.4	385	119.9	1,128	5,794	646	1,839
No. La. & Arkansas	55.9	60	47.6	162	2,056	216	427
Rocky Mountain							
New Mexico	19.0	11	84.6	36	80	16	35
Other Rocky Mt.	70.9	126	76.4	390	3,046	57	493
California	85.5	807	81.2	2,272	16,587	878	10,230
Total U. S.—B. of M. basis Apr. 19, 1947	85.8	4,709	84.7	13,966	105,592	9,308	31,470
Total U. S.—B. of M. basis Apr. 12, 1947	85.8	4,667	84.0	14,090	106,221	9,236	32,019
U. S. B. of M. basis Apr. 20, 1946	4,781			13,784	100,672	11,065	31,384

\*Includes unfinished gasoline stocks of 8,831,000 barrels. †Includes unfinished gasoline stocks of 9,040,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 2,007,000 barrels of kerosene, 5,263,000 barrels of gas oil and distillate fuel oil and 7,961,000 barrels of residual fuel oil in the week ended April 19, 1947, as compared with 2,011,000 barrels, 5,499,000 barrels and 8,232,000 barrels, respectively, in the preceding week and 2,130,000 barrels, 5,324,000 barrels and 9,048,000 barrels, respectively, in the week ended April 20, 1946.

## Weekly Coal and Coke Production Statistics

Production of soft coal increased sharply in the week ended April 19, 1947, to 12,600,000 net tons, an increase of 5,485,000 tons over the preceding week and a gain of 11,827,000 tons over the corresponding week of 1946, according to the United States Bureau of Mines. During the current year to April 19, 1947, production of bituminous coal and lignite approximated 187,027,000 net tons, an increase of 14.1% over the 163,957,000 tons produced in the corresponding period of last year.

Output of Pennsylvania anthracite for the week ended April 19, 1947, as estimated by the Bureau of Mines, was 1,044,000 tons, a gain of 69,000 tons, or 7.1%, over the preceding week. When compared with the corresponding week of 1946, there was a decrease of 56,000 tons, or 5.1%. The calendar year to date shows a decrease of 9.5% when compared with the corresponding period of 1946.

The Bureau also reported that the estimated production of bee-hive coke in the United States for the week ended April 19, 1947, showed an increase of 58,700 tons when compared with the output for the week ended April 12, 1947; and was 118,600 tons more than for the corresponding week of 1946.

### ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE (In Net Tons)

	Week Ended Apr. 19, 1947	Week Ended Apr. 12, 1947	Week Ended Apr. 20, 1946	Jan. 1 to date 1947	Jan. 1 to date 1946
Bituminous coal & lignite—					
Total, including mine fuel	12,600,000	7,115,000	773,000	187,027,000	163,957,000
Daily average	2,100,000	1,186,000	129,000	2,031,000	1,761,000

### ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE (In Net Tons)

	Week Ended Apr. 19, 1947	Week Ended Apr. 12, 1947	Week Ended Apr. 20, 1946	Calendar Year to Date Apr. 19, 1947	Calendar Year to Date Apr. 20, 1946
Penn. Anthracite—					
Total incl. coll. fuel	1,044,000	975,000	1,100,000	16,975,000	18,762,000
Commercial product	1,004,000	937,900	1,058,000	16,321,000	18,040,000
Beehive Coke—					
United States total	122,500	63,800	3,900	1,805,000	1,210,700

\*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised. ¶Estimated from weekly carloadings reported by 10 railroads.

### ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended Apr. 12, 1947	Week Ended Apr. 5, 1947	Week Ended Apr. 13, 1946
State—			
Alabama	136,000	130,000	26,000
Alaska	6,000	6,000	6,000
Arkansas	13,000	8,000	10,000
Colorado	53,000	34,000	3,000
Georgia and North Carolina	1,000	1,000	
Illinois	651,000	325,000	229,000
Indiana	353,000	126,000	32,000
Iowa	28,000	20,000	12,000
Kansas and Missouri	103,000	65,000	40,000
Kentucky—Eastern	284,000	256,000	35,000
Kentucky—Western	363,000	343,000	6,000
Maryland	37,000	9,000	2,000
Michigan			
Montana (bituminous and lignite)	44,000	40,000	26,000
New Mexico	51,000	7,000	1,000
North and South Dakota (lignite)	20,000	7,000	26,000
Ohio	624,000	287,000	56,000
Oklahoma	49,000	40,000	26,000
Pennsylvania (bituminous)	1,731,000	1,105,000	60,000
Tennessee	43,000	56,000	8,000
Texas (bituminous and lignite)	3,000	2,000	1,000
Utah	108,000	37,000	3,000
Virginia	180,000	84,000	4,000
Washington	14,000	13,000	1,000
West Virginia—Southern	625,000	362,000	48,000
West Virginia—Northern	1,275,000	552,000	50,000
Wyoming	150,000	40,000	5,000
Other Western States			
Total bituminous and lignite	7,115,000	3,990,000	716,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. \*Less than 1,000 tons.

## Electric Output for Week Ended April 26, 1947, 17.4% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended April 26, 1947, was 4,667,997,000 kwh., an increase of 17.4% over the corresponding week last year when electric output amounted to 3,976,750,000 kwh. The current figure also compares with 4,660,320,000 kwh. produced in the week ended April 19, 1947, which was 16.9% higher than the 3,987,145,000 kwh. produced in the week ended April 20, 1946. The largest increases were reported by the Rocky Mountain and Pacific Coast groups which showed increases of 25.2% and 20.2% respectively, over the same week in 1946.

	Apr. 26	Apr. 19	Apr. 12	Apr. 5	Mar. 29
Major Geographical Division—					
New England	9.5	10.3	6.9	8.9	13.1
Middle Atlantic	10.8	10.2	6.4	10.8	13.6
Central Industrial	19.1	18.1	16.9	21.1	24.4
West Central	19.4	18.1	15.5	18.2	16.3
Southern States	19.0	18.4	16.3	18.0	17.0
Rocky Mountain	25.2	22.2	20.0	12.2	13.6
Pacific Coast	20.2	21.7	23.1	24.7	19.6
Total United States	17.4	16.9	15.1	17.7	18.5

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)						
Week Ended—	1947	1946	% Change Over 1946	1945	1932	1929
Jan. 4	4,573,807	3,865,362	+18.3	4,427,281	1,602,482	1,733,810
Jan. 11	4,852,513	4,163,206	+16.6	4,614,334	1,598,201	1,736,721
Jan. 18	4,856,890	4,145,116	+17.2	4,588,214	1,588,967	1,717,315
Jan. 25	4,856,404	4,034,365	+20.4	4,576,713	1,588,853	1,728,208
Feb. 1	4,777,207	3,982,775	+19.9	4,538,552	1,578,817	1,726,161
Feb. 8	4,801,179	3,983,493	+20.5	4,505,269	1,545,459	1,718,304
Feb. 15	4,778,179	3,948,620	+21.0	4,472,298	1,512,158	1,699,250
Feb. 22	4,777,740	3,922,796	+21.8	4,473,962	1,519,679	1,706,716
Mar. 1	4,797,099	4,000,119	+19.9	4,472,110	1,538,452	1,702,570
Mar. 8	4,786,552	3,952,539	+21.1	4,446,136	1,537,747	1,687,222
Mar. 15	4,763,843	3,987,877	+19.5	4,397,529	1,514,553	1,683,266
Mar. 22	4,759,066	4,017,310	+18.5	4,401,716	1,480,208	1,679,589
Mar. 29	4,728,885	3,992,283	+18.5	4,329,478	1,465,076	1,633,291
Apr. 5	4,693,055	3,987,673	+17.7	4,321,794	1,480,738	1,696,543
Apr. 12	4,619,700	4,014,652	+15.1	4,332,400	1,469,810	1,709,331
Apr. 19	4,660,320	3,987,145	+16.9	4,411,325	1,454,505	1,699,822
Apr. 26	4,667,997	3,976,750	+17.4	4,415,889	1,429,032	1,588,434

## Profits of National Banks in 1946

Comptroller of the Currency Preston Delano announced on April 19 that the National Banks in the United States and possessions reported net profits after income taxes of \$495,000,000 for the year ended Dec. 31, 1946, an increase of nearly \$5,000,000 over the year 1945. Net operating earnings, before income taxes, said Comptroller Delano, were \$622,000,000. He further reported:

Adding to the net operating earnings, profits on securities sold of \$111,000,000 and recoveries on loans and securities, etc., previously charged off of \$104,000,000, and deducting therefrom losses and charge-offs of \$156,000,000 and taxes on net income of \$186,000,000, the net profits before dividends for the year 1946 amounted to the \$495,000,000 mentioned above, which at an annual rate amounts to 9.61% of capital funds.

The principal items of operating earnings for 1946 were \$702,000,000 from interest on U. S. Government obligations and \$102,000,000 interest and dividends on other securities, a total of \$804,000,000, which was an increase of \$60,000,000 over the figures for 1945; and interest and discount on loans of \$507,000,000, an increase of \$133,000,000. The principal operating expenses were \$452,000,000 for salaries and wages of officers and employees and fees paid to directors, an increase of \$80,000,000 over 1945; and \$145,000,000 expended in the form of interest on time and savings deposits, an increase of \$20,000,000. Gross earnings of \$1,574,000,000 were reported for 1946. This represents an increase of \$224,000,000

## Trading on New York Exchanges

The Securities and Exchange Commission made public on April 23 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended April 5, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended April 5 (in round-lot transactions) totaled 1,190,991 shares, which amount was 17.63% of the total transactions on the Exchange of 3,377,450 shares. This compares with member trading during the week ended March 29 of 1,699,030 shares, or 18.14% of the total trading of 4,684,600 shares.

On the New York Curb Exchange, member trading during the week ended April 5 amounted to 272,790 shares, or 16.83% of the total volume on that Exchange of 810,460 shares. During the week ended March 29 trading for the account of Curb members of 336,320 shares was 16.02% of the total trading of 1,049,600.

### Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members\* (Shares)

WEEK ENDED APRIL 5, 1947		
A. Total Round-Lot Sales:	Total for Week	%
Short sales.....	132,710	
Other sales.....	3,244,740	
Total sales.....	3,377,450	
B. Round-Lot Transactions for Account of Members:		
Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases.....	362,260	
Short sales.....	54,910	
Other sales.....	280,700	
Total sales.....	335,610	10.33
2. Other transactions initiated on the floor—		
Total purchases.....	101,590	
Short sales.....	12,250	
Other sales.....	116,750	
Total sales.....	129,000	3.41
3. Other transactions initiated off the floor—		
Total purchases.....	111,125	
Short sales.....	16,110	
Other sales.....	135,296	
Total sales.....	151,406	3.89
4. Total—		
Total purchases.....	574,975	
Short sales.....	83,270	
Other sales.....	532,746	
Total sales.....	616,016	17.63

### Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members\* (Shares)

WEEK ENDED APRIL 5, 1947		
A. Total Round-Lot Sales:	Total for Week	%
Short sales.....	12,105	
Other sales.....	798,355	
Total sales.....	810,460	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases.....	71,515	
Short sales.....	4,155	
Other sales.....	74,050	
Total sales.....	78,205	9.24
2. Other transactions initiated on the floor—		
Total purchases.....	11,400	
Short sales.....	1,200	
Other sales.....	9,800	
Total sales.....	11,000	1.38
3. Other transactions initiated off the floor—		
Total purchases.....	70,800	
Short sales.....	5,925	
Other sales.....	23,945	
Total sales.....	29,870	6.21
4. Total—		
Total purchases.....	153,715	
Short sales.....	11,280	
Other sales.....	107,795	
Total sales.....	119,075	16.83
C. Odd-Lot transactions for Account of Specialists—		
Customers' short sales.....	0	
Customers' other sales.....	46,587	
Total purchases.....	46,587	
Total sales.....	38,954	

\*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

## Non-Ferrous Metals—Bill Suspending Copper Tariff Signed—Lead Active—Silver Declines

"E. & M. J. Metal and Mineral Markets," in its issue of April 24, stated: "Pending receipt of word from Washington that President Truman has signed the legislation that would suspend the 4c. import duty on copper for two years, the domestic market quieted down considerably, with few copper producers taking on new business. [This legislation was signed on April 29—Ed.] Roger W. Straus, who was elected Chairman of the Board of the American Smelting & Refining Company, succeeding Francis H. Brownell, who asked that he be relieved because of age, expressed the opinion to stockholders that metal prices have reached their peak and that the next movement will be downward. This statement attracted wide interest, and is expected to make consumers more cautious. During the last week silver declined three-eighths of a cent."

The publication further went on to say in part as follows:

### Copper

Trading in domestic copper almost ceased after it became known that the copper tariff issue has been settled. As soon as the measure becomes law, it was felt that some price action to bring the domestic and the foreign quotations more in line would take place. Opinion on what is likely to occur was decidedly mixed as

the week ended. Many in the trade view the top prices paid in the foreign market as too high under present conditions. The domestic quotation held at 21½¢, Valley, throughout the week, with most of the foreign transactions closed at 23.75¢, f.a.s. equivalent.

Fabricators consumed 117,981 tons of copper in March, which compares with 118,663 tons (revised) in February. Stocks of refined copper in the hands of fabricators at the end of March amounted to 396,580 tons, against 392,376 tons a month previous.

The House, on April 22, passed and sent to the President the legislation suspending the 4¢ tariff on copper until March 31, 1949. The Senate's amendment exempting copper sulphate from tariff action was accepted by the House without debate. [President Truman signed this legislation on April 29.—Ed.]

### Lead

Demand for lead was active throughout the week, sales for the period amounting to 16,203 tons. Unless general business activity should fall away, producers look for a ready market for some time to come for all of the lead available from foreign and domestic sources. Quotations were firmly maintained at 15¢, New York, and 14.80¢, St. Louis.

The industry is counting on obtaining at least 8,000 tons of lead for next month from the government's holdings. The reserves in the hands of OMR are shrinking and the program of supplying lead from the stockpile is expected to come to an end in a month or two.

### Zinc

The zinc industry is awaiting word from Washington on how allocations from the government's holdings will be handled for next month and thereafter. The Department of Commerce is expected to take over this task. However, delay in announcing the plan may retard the movement of zinc next month from OMR stocks. The price situation here was unchanged last week, with demand for Prime Western and Special High Grade continuing at a high level. The export quotation for Prime Western continued at around 10½¢, Gulf ports.

Consumption of slab zinc in January and December, by industry groups, according to the Bureau of Mines, in tons:

	Jan., 1947	Dec., 1946
Galvanizers.....	31,340	27,151
Zinc-base alloys.....	23,207	20,110
Brass mills.....	15,401	13,904
Ingot makers, etc.....	911	745
Rolling mills.....	8,450	8,299
Oxide plants, etc.....	2,460	2,277
Totals.....	31,769	72,430

### DAILY PRICES OF METALS ("E. & M. J.") QUOTATIONS

	Electrolytic Copper—Dom. Refy.	Strait's Tin, Exp. Refy.	New York	New York	St. Louis	Zinc
April 17.....	21.225	23.675	80.000	15.000	14.800	10.500
April 18.....	21.225	23.675	80.000	15.000	14.800	10.500
April 19.....	21.225	23.675	80.000	15.000	14.800	10.500
April 21.....	21.225	23.675	80.000	15.000	14.800	10.500
April 22.....	21.225	23.675	80.000	15.000	14.800	10.500
April 23.....	21.225	23.675	80.000	15.000	14.800	10.500
Average.....	21.225	23.642	80.000	15.000	14.800	10.500

Average prices for calendar week ended April 12 are: Domestic copper, f.o.b. refinery, 21.225¢; export copper, f.o.b. refinery 23.521¢; Straits tin, 80.000¢; New York lead, 15.000¢; St. Louis lead, 14.800¢; St. Louis zinc, 10.500¢; and silver, 79.925¢.

The above quotations are "E. & M. J. M. & M. M.'s" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound. Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis; that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.275¢ per pound above the refinery basis, effective Jan. 2, 1947.

"E. & M. J. M. & M. M.'s" export quotation for copper reflects prices obtained in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions, 0.075¢ is deducted for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Our export quotation for copper reflects prices obtained in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075¢, for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.075¢ per pound is charged; for slabs 0.175¢ up, and for cakes 0.225¢ up, depending on weight and dimension; for billets an extra 0.95¢ up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125¢ per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1¢ per pound over the current market for Prime Western but not less than 1¢ over the "E. & M. J." average for Prime Western for the previous month; the premium on Special High Grade in most instances is 1½¢.

Quotations for lead reflect prices obtained for common lead only. The differential on sales in the Chicago district is 10 points under New York.

### Tin

Consumers of tin were relieved on learning that the smelter at Texas City suffered slight damage from the explosion that virtually wrecked that city on April 16. The smelter is situated about 10 miles out from the zone of destruction. Rail service was interrupted and the operating schedule curtailed for several days.

At the conclusion of the meeting of the Tin Study Group, at Brussels, it was announced that estimates on production have been revised downward, owing to lack of equipment, fuel, and labor shortages in the Far East. Mine output of tin for the world for 1947 is estimated at 117,000 long tons, against 141,000 tons announced previously.

The price situation was unchanged. Straits quality tin for shipment was nominally as follows, in cents per pound:

	April	May	June
April 17.....	80.000	80.000	80.000
April 18.....	80.000	80.000	80.000
April 19.....	80.000	80.000	80.000
April 21.....	80.000	80.000	80.000
April 22.....	80.000	80.000	80.000
April 23.....	80.000	80.000	80.000

Chinese, or 99% tin, 79.125¢.

### Antimony

Increased domestic production, careful distribution of the remaining reserves in the hands of the government, and maximum recovery from scrap, are suggested ways of reducing an anticipated deficit in the 1947 antimony supply, Washington officials hold. The National Resources Commission estimated China's 1947 output of antimony at 5,000 tons, which compares with prewar output of 14,000 tons a year.

The British Ministry of Supply has raised the price of 99% antimony to £180 per long ton, delivered to consumers in the United Kingdom. The new price is £30 higher than the previous quotation and more or less conforms with the world price.

### Quicksilver

Sellers experienced a quiet week in quicksilver and report that the price situation remains about unchanged. Spot metal was available at \$86 to \$88 per flask, with nearby metal at \$85 and possibly less where round lots were concerned.

### Silver

The New York Official quotation for silver declined three-eighths of a cent on April 18, establishing the market at 75½¢ an ounce. Offerings and demand were about in balance throughout most of the week.

Refineries operating in the United States produced 7,596,000 oz. of silver in February, of which 3,713,000 oz. was recovered from domestic sources and 3,883,000 oz. from foreign material.

## NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on April 23 a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended April 12, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

### STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended April 12, 1947	
Odd-Lot Sales by Dealers—	Total
(Customers' purchases).....	For Week
Number of orders.....	25,338
Number of shares.....	722,126
Dollar value.....	\$28,021,223
Odd-Lot Purchases by Dealers—	
(Customers' sales).....	
Number of Orders:	
Customers' short sales.....	500
Customers' other sales.....	20,793
Customers' total sales.....	21,293
Number of Shares:	
Customers' short sales.....	18,637
Customers' other sales.....	578,245
Customers' total sales.....	596,882
Dollar value.....	\$22,096,014

Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales.....	0
Other sales.....	168,970
Total sales.....	168,970

Round-Lot Purchases by Dealers—	
Number of Shares.....	258,390
*Sales marked "short-exempt" are reported with "other sales."	

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

## New Members Elected to CED Board of Trustees

Election of four new members to the Board of Trustees of the Committee for Economic Development was announced on April 18, by Paul G. Hoffman, President of the Studebaker Corp. and CED Chairman, following a regular meeting of the Board at the Waldorf-Astoria Hotel. Mr. Hoffman also stated that the CED Research and Policy Committee would release a policy statement in June at Washington, D. C., on the special problems of small business. Newly elected members of the CED Board of Trustees are: Henry P. Bristol, New York, President, Bristol-Meyers Co.; S. Sloan Colt, New York, President, Bankers Trust Co., New York; John M. Hancock, New York partner, Lehman Brothers, and former member, United States Delegation to the United Nations Atomic Energy Commission; Francis T. Spaulding, Albany, N. Y., Commissioner of Education of the State of New York, and former dean, Graduate School of Education, Harvard University.

## Rubber Margin on Commodity Exchange

Required original margin on trading in crude rubber futures which will resume on Commodity Exchange, Inc., today, May 1, after five years' suspension due to the war, has been set at \$900 per contract, the Exchange's Board of Governors announced on April 25. The announcement said:

"The minimum margin required on 'hedge' purchases or sales is \$600 per contract and for 'straddles' \$200 per contract. The Exchange's crude rubber futures contract, as revised for the resumption of trading, will represent 10 long tons, or 22,400 pounds.

"Last recorded futures transaction on Commodity Exchange prior to shut-down of trading when the government assumed control of the commodity, was Dec. 13, 1941, six days after Pearl Harbor, when March delivery sold at 22.50 cents per pound."

## Revenue Freight Car Loadings During Week Ended April 19, 1947, Increased 107,680 Cars

Loading of revenue freight for the week ended April 19, 1947, totaled 865,846 cars, the Association of American Railroads announced on April 24. This was an increase of 215,003 cars or 33% above the corresponding week in 1946, and an increase of 1,146 cars or 0.1% above the same week in 1945.

Loading of revenue freight for the week of April 19 increased 107,680 cars of 14.2% above the preceding week.

Miscellaneous freight loading totaled 333,442 cars, an increase of 6,017 cars above the preceding week, and an increase of 7,727 cars above the corresponding week in 1946.

Loading of merchandise less than carload freight totaled 126,456 cars, an increase of 722 cars above the preceding week, but a decrease of 1,511 cars below the corresponding week in 1946.

Coal loading amounted to 185,733 cars, an increase of 73,582 cars above the preceding week, and an increase of 156,024 cars above the corresponding week in 1946, which included coal mine strike.

Grain and grain products loading totaled 48,436 cars, an increase of 2,704 cars above the preceding week, and an increase of 14,040 cars above the corresponding week in 1946. In the Western Districts alone, grain and grain products loading for the week of April 19 totaled 33,584 cars, an increase of 2,150 cars above the preceding week, and an increase of 12,006 cars above the corresponding week in 1946.

Livestock loading amounted to 14,039 cars, an increase of 2,114 cars above the preceding week, but a decrease of 4,579 cars below the corresponding week in 1946. In the Western Districts alone loading of livestock for the week of April 19 totaled 11,060 cars, an increase of 2,011 cars above the preceding week, but a decrease of 4,013 cars below the corresponding week in 1946.

Forest products loading totaled 43,100 cars, a decrease of 2,078 cars below the preceding week, and a decrease of 1,986 cars below the corresponding week in 1946.

Ore loading amounted to 50,503 cars, an increase of 23,305 cars above the preceding week, and an increase of 38,234 cars above the corresponding week in 1946.

Coke loading amounted to 14,137 cars, an increase of 1,314 cars above the preceding week, and an increase of 7,054 cars above the corresponding week in 1946.

All districts reported increases compared with the corresponding week in 1946 and all reported increases compared with the same week in 1945, except the Allegheny, Southern and Southwestern.

	1947	1946	1945
Four Weeks of January	3,168,397	2,883,863	3,003,655
Four Weeks of February	3,179,193	2,866,876	3,052,487
Five Weeks of March	4,170,420	3,982,240	4,022,088
Week of April 5	715,159	643,644	765,672
Week of April 12	758,166	649,298	847,013
Week of April 19	865,846	650,843	864,700
Total	12,857,186	11,676,764	12,555,615

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended April 19, 1947. During this period 77 roads reported gains over the week ended April 20, 1946.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS  
(NUMBER OF CARS) WEEK ENDED APRIL 19

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
1947	1946	1947
<b>Eastern District—</b>		
Ann Arbor	235	252
Bangor & Aroostook	3,321	2,594
Boston & Maine	6,956	7,196
Chicago, Indianapolis & Louisville	1,500	1,077
Central Indiana	19	23
Central Vermont	578	1,187
Delaware & Hudson	5,682	5,054
Delaware, Lackawanna & Western	7,956	8,095
Detroit & Mackinac	413	401
Detroit, Toledo & Ironton	2,612	2,308
Detroit & Toledo Shore Line	247	360
Erie	13,102	12,311
Grand Trunk Western	4,598	4,389
Lehigh & Hudson River	213	220
Lehigh & New England	1,974	2,355
Lehigh Valley	8,288	7,675
Maine Central	2,964	2,518
Monongahela	9,000	167
Montour	2,763	23
New York Central Lines	52,354	43,521
N. Y., N. H. & Hartford	10,146	10,226
New York Ontario & Western	920	1,016
New York, Chicago & St. Louis	6,873	6,292
N. Y., Susquehanna & Western	457	464
Pittsburgh & Lake Erie	6,426	7,174
Pere Marquette	7,046	6,099
Pittsburgh & Shawmut	1,237	116
Pittsburgh, Shawmut & Northern	1	125
Pittsburgh & West Virginia	844	207
Rutland	388	451
Wabash	6,480	6,229
Wheeling & Lake Erie	5,885	2,784
Total	172,147	143,019
<b>Allegheny District—</b>		
Akron, Canton & Youngstown	699	661
Baltimore & Ohio	46,952	25,764
Bessemer & Lake Erie	3,336	758
Cambria & Indiana	1,432	7
Central R.R. of New Jersey	7,055	6,544
Cornwall	488	434
Cumberland & Pennsylvania	297	22
Ligonier Valley	132	0
Long Island	1,323	1,602
Penn-Reading Seashore Lines	1,766	1,826
Pennsylvania System	86,583	60,382
Reading Co.	15,779	14,237
Union (Pittsburgh)	19,297	9,958
Western Maryland	4,552	2,170
Total	189,691	124,365
<b>Pocahontas District—</b>		
Chesapeake & Ohio	34,064	8,420
Norfolk & Western	21,849	6,743
Virginian	4,918	614
Total	60,831	15,777

Railroads	Total Revenues Freight Loaded	Total Loads Received from Connections
1947	1946	1945
<b>Southern District—</b>		
Alabama, Tennessee & Northern	409	438
Atl. & W. P.—W. RR. of Ala.	935	935
Atlantic Coast Line	13,860	16,228
Central of Georgia	3,850	4,479
Charleston & Western Carolina	425	515
Citichfield	1,950	715
Columbus & Greenville	267	413
Durham & Southern	105	116
Florida East Coast	2,638	4,423
Gainesville Midland	93	91
Georgia	1,083	1,399
Georgia & Florida	323	481
Julf Mobile & Ohio	4,327	4,061
Illinois Central System	26,237	21,141
Louisville & Nashville	28,261	14,611
Macon, Dublin & Savannah	203	260
Mississippi Central	310	391
Nashville, Chattanooga & St. L.	3,627	3,274
Norfolk Southern	1,089	1,257
Piedmont Northern	397	402
Richmond, Fred. & Potomac	468	519
Seaboard Air Line	11,757	13,381
Southern System	26,692	24,521
Tennessee Central	819	541
Winston-Salem Southbound	133	127
Total	130,259	114,719
<b>Northwestern District</b>		
Chicago & North Western	18,664	16,265
Chicago Great Western	2,510	2,292
Chicago, Milw., St. P. & Pac.	22,329	19,236
Chicago, St. Paul, Minn. & Omaha	3,424	3,255
Duluth, Missabe & Iron Range	18,565	3,621
Duluth, South Shore & Atlantic	471	641
Elgin, Joliet & Eastern	8,658	6,722
Ft. Dodge, Des Moines & South	589	503
Great Northern	19,587	9,469
Green Bay & Western	435	424
Lake Superior & Ishpeming	1,562	216
Minneapolis & St. Louis	2,175	1,589
Minn., St. Paul & S. S. M.	7,035	4,601
Northern Pacific	11,658	8,299
Spokane International	139	136
Spokane, Portland & Seattle	2,669	2,148
Total	120,870	79,417
<b>Central Western District—</b>		
Atch. Top. & Santa Fe System	24,082	22,987
Alton	3,199	2,793
Bingham & Garfield	522	41
Chicago, Burlington & Quincy	20,676	15,893
Chicago & Illinois Midland	3,250	209
Chicago, Rock Island & Pacific	13,161	11,951
Chicago & Eastern Illinois	2,809	2,099
Colorado & Southern	567	640
Denver & Rio Grande Western	3,413	1,420
Denver & Salt Lake	962	1,045
Fort Worth & Denver City	2,084	1,950
Illinois Terminal	1,289	1,541
Missouri-Illinois	1,555	1,501
Nevada Northern	993	564
North Western Pacific	10	7
Peoria & Pekin Union	30,610	31,550
Southern Pacific (Pacific)	84	0
Toledo, Peoria & Western	16,545	12,442
Union Pacific System	775	0
Utah	1,517	2,011
Western Pacific	1,517	2,011
Total	128,102	110,644
<b>Southwestern District—</b>		
Burlington-Rock Island	279	308
Gulf Coast Lines	6,225	6,803
International-Great Northern	2,315	2,682
K. O. & G.-M. V.-O. C.-A.-A.	1,072	1,267
Kansas City Southern	3,032	2,959
Louisiana & Arkansas	2,528	2,386
Litchfield & Madison	456	405
Missouri & Arkansas	210	89
Missouri-Kansas-Texas Lines	5,206	5,343
Missouri Pacific	16,871	14,391
Quannah Acme & Pacific	97	129
St. Louis-San Francisco	9,060	8,076
St. Louis-Southwestern	2,564	2,783
Texas & New Orleans	9,832	9,832
Texas & Pacific	4,344	5,185
Wichita Falls & Southern	42	93
Weatherford M. W. & N. W.	21	50
Total	63,946	62,902

\*Included in Denver & Rio Grande Western RR.

†Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry. and Oklahoma City-Ada-Atoka Ry. ‡Strike. †Abandoned.

NOTE—Previous year's figures revised.

## Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

### STATISTICAL REPORT—ORDERS, PRODUCTION, MILL ACTIVITY

Period	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current Cumulative
1947—Week Ended				
Jan. 4	196,927	142,338	58,606	85
Jan. 11	171,420	178,043	58,026	102
Jan. 18	173,831	178,556	57,269	103
Jan. 25	155,432	173,720	55,710	101
Feb. 1	204,033	179,347	57,962	103
Feb. 8	202,189	181,017	59,009	104
Feb. 15	169,624	178,458	58,944	102
Feb. 22	147,458	177,282	56,571	103
Mar. 1	192,670	181,709	57,456	102
Mar. 8	237,292	179,025	61,471	102
Mar. 15	183,207	179,819	59,648	104
Mar. 22	155,794	176,918	57,090	103
Mar. 29	160,450	180,729	54,774	102
Apr. 5	228,306	181,064	59,737	102
Apr. 12	139,487	165,902	56,909	101
Apr. 19	170,806	177,478	56,739	101

NOTES—Unfilled orders for the prior week, plus orders received, less production do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

## Income Payments to Individuals in Feb.

Income payments to individuals in February were substantially unchanged from January's peak level, the Department of Commerce said on April 10. The Department's index of income payments, which makes allowance for seasonal influences, declined fractionally to 262.9 in February from 263.6 in January (1935-39=100), the advices said. This, the Department stated, was the result of a drop in farm income. Non-agricultural income payments, which comprise almost 90% of all income payments, showed a modest increase as wages and salary payments rose slightly, according to the Department, which further reported:

"Income payments to individuals include wages and salaries, the net income of proprietors (both farm and non-farm), dividends and interest, net rents received by landlords, and other types of individual incomes. The decline in farm income during February resulted from a greater-than-seasonal fall in farm marketings and occurred despite generally higher prices for farm products. Factory payrolls, the dominant element in the rise of total wage and salary payments during the preceding 12 months, remained at the January level, almost 15% above the 1946 average."

"Income payments in both January and February were equivalent to an annual rate of about \$177 billions, 7% above the full-year record total of \$165 billions in 1946."

## Cotton Spinning for March

The Bureau of the Census announced on April 21, that according to preliminary figure 23,807,720 cotton system spindles were in place in the United States on March 31, 1947, of which 21,953,050 were consuming cotton the last working day of the month, compared with 21,954,340 in February, 1947, and 21,413,108 in March, 1946. The aggregate number of active cotton spindle hours reported for the month was 10,029,510,440, an average of 421 per spindle in place, compared with 9,590,439,779, an average of 402 per spindle in place for February, 1947, and 9,132,654,958, an average of 383 per spindle in place for March 1946. Based on an activity of 80 hours per week, cotton consuming spindles in the United States were operated during March at 125.4% capacity. The per cent on the same activity basis was 125.6 for February, 1947, and 114.1 for March, 1946.

## Weekly Lumber Shipments 6.3% in Excess of Output

According to the National Lumber Manufacturers Association, lumber shipments of 422 mills reporting to the National Lumber Trade Barometer were 6.3% above production for the week ending April 19 1947. In the same week new orders of these mills were 10.6% below production. Unfilled order files of the reporting mills amounted to 77% of stocks. For reporting softwood mills, unfilled orders are equivalent to 27 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year-to-date, shipments of reporting identical mills were 10.0% above production; orders were 14.9% above production.

Compared to the average corresponding week of 1935-39, production of reporting mills was 12.0% above; shipments were 15.2% above; orders were 2.5% below. Compared to the corresponding week in 1946, production of reporting mills was 3.4% above; shipments were 6.7% above; and new orders were 12.1% below.

## Items About Banks, Trust Companies

Koibjorn S. Brekke, loan and securities clerk at the Chase National Bank's 73d Street branch in New York, won first award in the bank's annual Cannon Price examination on general banking subjects, it was announced at the 37th annual meeting of the Chase Bank Club, a social organization of Chase National Bank employees, held on April 25 at the Hotel Astor. Nine other winners in the order of their awards were: H. F. Tooke, John B. Dunlap, Winfield F. Hanrahan, Frank C. Schell, Jr., Robert J. Pollock, Morris Miller, Adam C. Heck, Walter F. Harje and Charles H. Warfield, Jr. John B. Dunlap and Frank C. Schell, Jr., also won special prizes for veterans of World War II who had the highest grades. This contest, revived after a lapse of four years because of the war, had been held each year since 1925, awards being made from a trust fund established by the late Henry W. Cannon, former Chase President. New officers of the Chase Bank Club elected for the 1947-48 term were announced as follows: President, Albert J. Angell; Vice-President, Charles W. Rellinger; Second Vice-President, William J. Gray; Treasurer, John J. Skehan, and Secretary, Margaret Weiss.

The National City Bank of New York announces that it will soon offer complete banking services in the Philippines' second port—Cebu. The bank points out that the Manila branch has been operating in the Philippines since 1902, and now, in order to facilitate American-Philippine business, Cebu branch is being opened. The bank also says:

The growing importance of the port of Cebu is attracting more and more business activity. Staffs of the Cebu and Manila branches will continue to utilize their 45 years of experience in the Islands to stimulate the revival of foreign trade.

An authorization certificate for the China Safe Deposit Co. at 198 Worth Street, New York, was issued by the New York State Banking Department on April 9. The capital is \$100,000 and surplus \$20,000.

The Fulton Savings Bank of Kings County, Brooklyn, has just celebrated its 80th anniversary, according to an announcement by Paul W. Connelly, President. The bank's main office is at 375 Fulton Street, the same site the bank occupied when it opened in 1867. A branch office at Flatbush and Catoen Avenues was opened in 1931. During its 80 years of service the bank has paid to depositors more than \$31,000,000 in interest dividends. Present resources exceed \$66,000,000.

The North Shore Bank Trust Company of Oyster Bay, New York, received approval on April 22 from the New York State Banking Department to increase its capital stock from \$100,300, consisting of 18,650 shares of preferred stock of the par value of \$2 each and 7,875 shares of common stock of the par value of \$8 each, to \$125,000, consisting of 15,625 shares of common stock of the par value of \$8 each.

The New York State Banking Department on April 16 approved a certificate of increase of the capital stock of the Bank of Waterford, of Waterford, N. Y., from \$110,250, consisting of 7,960 shares of preferred stock "A" of the par value of \$6.25 each, 4,000 shares of preferred stock "B" of the par value of \$8.87½ each and 4,000 shares of common stock of the par

value of \$6.25 each, to \$135,000, consisting of 600 shares of preferred stock of the par value of \$100 each and 12,000 shares of common stock of the par value of \$6.25 each.

The First National Bank of Nutley, N. J., increased its capital, effective April 11, from \$50,000 to \$100,000 by the sale of \$50,000 of new stock, it is announced by the Office of the Comptroller of the Currency.

George F. Taylor, former Special Deputy Secretary of Banking in Pennsylvania, has been elected to the board of directors of the Commonwealth Trust Company of Pittsburgh, Pa. Mr. Taylor has been President and Director of the Chartiers Bank, McKees Rocks, Pa., since 1944, prior to which he was President and Director of the St. Clair Deposit Bank of Pittsburgh. He is also a partner in the law firm of Alter, Wright and Barron, of Pittsburgh, and Special Counsel for the Pennsylvania Bankers' Association's sub-committee which is drafting legislation on accounts receivable financing.

An increase in the capital of the Mercantile National Bank of Miami Beach, Fla., from \$100,000 to \$1,000,000 by a stock dividend of \$900,000 became effective on April 14, according to a bulletin from the Office of the Comptroller of the Currency.

The American State Bank, of Milwaukee, which plans to move to new downtown quarters announced on April 19, an almost wholly revised set of officers following a board of directors meeting, it is learned from the Milwaukee "Journal," of April 20, from which we also quote the following:

Advanced to the Presidency of the institution was E. A. Reddeman, who joined the staff in 1935 as a Vice-President. William George Bruce, who helped organize the bank in 1931, and has been its President since 1934, was placed in the newly created post of Chairman of the board and H. W. Zumach, who has been a Vice-President, was named to the new office of Board Vice-Chairman.

A. W. Bickler, Cashier of the bank since its organization, was advanced to Vice-President, and George J. Graebner was re-elected a Vice-President. John Butcher, Assistant Cashier, was promoted to Cashier and William E. Wierdsma and Lewis J. Prentice were made Assistant Cashiers. Mr. Wierdsma was associated with the First Wisconsin National Bank for 23 years, most recently as Assistant Manager of the credit department. W. P. Schwessinger, at one time with the old Second Ward Savings Bank and for the last four years with the Federal Reserve Bank of Chicago, was appointed Auditor. Mr. Reddeman became the Third Vice-President in the 16-year-old history of the bank. He is a past President of the Wisconsin Bankers' Association.

"Organized with capital stock of \$200,000 and surplus of \$50,000, American State now has capital stock of \$500,000 and surplus and undivided profits of \$496,504, according to the 1947 Wisconsin Bank Directory."

Sir George B. Morton, OBE, MC, has joined the board of directors of the National Bank of India Limited, it was announced on April 13.

## From Washington Ahead of the News

(Continued from first page)

appropriations bill providing for the OIC has not yet been reported out of committee. The intellectuals, however, have passed out the word that the OIC appropriation has already been knocked out in committee on a point of order, there being no legislative authority for it, and they have planted protesting editorials with sympathetic editors.

But I should hate to be in the shoes of Congressmen Stefan, of Nebraska, Chairman of the appropriations sub-committee, and Walt Horan of Washington, next to him on the committee, the two of whom are responsible for OIC's fate, when the bill is reported. It will be charged that they are provincial minded Westerners with no realization that we are now living in One World. We are scattering billions to the four corners of the globe, it will be argued, yet these men are so penny pinching as not to be willing to spend \$31 million a year to have the peoples of other lands understand us. When there is such a great need for understanding among all peoples with a view to preventing World War III, which will be waged with atomic bombs and germs, why these narrow minded fellows come along and remove the support for the worthy efforts of OIC. It is just another example of why we should abolish Congress and have the government run by efficiency experts.

The facts happen to be that Messrs. Stefan and Horan are two of the ablest members of Congress and they have served on the Appropriations Committee for many years. They are quite well informed about government and affairs, and they have traveled pretty much all over the world.

But in their long consideration of OIC's usefulness, here is what they found. Americans are traveling all over the world. American business men are operating all over the world. American missionaries have long carried the torch of civilization in the remote areas. American goods are sold all over the world. American movies are shown and American music is played all over the world. Americans support some 400 institutions of learning all over the world. In addition, we are now giving away or "lending" billions all over the world. In the light of all this, the puny efforts of an OIC or any government-inspired propaganda program constitute not a drop in the bucket. When it comes to spreading our culture, the business men, the missionaries, the travelers, the dollars, our Fords, Chevrolets, movies, washing machines are doing it. But Americans abroad are notoriously arrogant and the movies depict us as a nation of gangsters and Indians, it is argued. If this is the case, there is nothing a government inspired propaganda can do to offset it. The program is overwhelmed from the start.

The amazing thing, though, is that the OIC has done nothing to try to offset this picture. Instead, in an effort apparently to be scrupulously fair, to keep propaganda out of its program, it has complemented the picture which we are frequently told the world has for us. For example, in their radio program, they carry stuff from the representative newspapers—the "Herald-Trib," "PM," the Chicago "Sun," the labor press. The perennial controversy, the labor-management strife, the dire predictions of the next depression, as they are dealt with in the respective papers, are broadcast impartially to other lands. The hyperbole of our headlines, such as "Nation Paralyzed by Telephone Strike," is served as a daily fare. Our Senatorial debates, the attacks upon Truman's

foreign policy, charges of imperialism is dished up in a manner of saying "We are ashamed of nothing."

Coincidentally with Henry Wallace's arrival in Europe on his crusade against Truman's foreign policy, there was broadcast a review of the latest book on him which depicted him as a man well worth listening to.

The point is not that the program should have been used to abuse Henry, not that there should be a censorship on exported news, or that it should be colored, but why should the taxpayers support such stuff? Certainly an uninformed foreigner reading our daily press, must think we are nuts. But nobody wants to deny

him this reading. Why should the taxpayers pay to get it to him?

Where is the promotion value, for example, of the OIC's circulating a book by a Left winger, Shirley Graham, on the life of Paul Robeson, an avowed Commy. "Paul Robeson, Citizen of the World," it is called. Let anybody read the book that wants to. Why should you and I pay for it for them to read? Or Eugene O'Neill's, "The Ice Man Cometh"? The contention of the intellectuals is that this shows the intellectuals of other countries what we are doing in the way of literature. Why not let the intellectuals of the other countries buy the books? Anyway, you get the impression that all of those intellectuals are over here.

## Looking Five Years Ahead

By ROGER W. BABSON

Mr. Babson sees at least two years more of fair business, and possibly five years, but sooner or later commodity, real estate and stock prices will be lower than at present. Speaks of Communist uprising and urges migration to interior cities. Says safest investments should include land, chemical, mining and food companies

I hope I am wrong; but the following is a brief summary of my vision for the next five or more years whatever Russia may do. This, moreover, is



Roger W. Babson

based upon 40 years of forecasting experience and the expenditure of millions of dollars on business research.

(1) I am reasonably sure of at least two more years of fair business. If the U. S. adopts the right international policy, this can be extended to five years or more. Certainly, the agricultural sections out here are happy and see no reason for any business depression.

(2) My manufacturing friends are very much upset by labor's demands and believe that "sooner or later" we will witness a Great Depression with millions of unemployed. Commodity, real estate and stock prices will be very much lower than at present, they claim.

(3) When visiting Washington, I find a belief that unless Russia collapses in the meantime there will then be a communistic uprising in the U. S. If our Federal Government is not then taken over by the Communists, through democratic procedure, certain state and city governments certainly will be. Yes, Washington is very jittery, and President Truman is scared blue.

(4) If these Congressmen are right, a panic of tremendous proportions could take place with people leaving the big cities and seeking refuge in the self-sustaining sections of the Central West. I refer to areas with their own food, fuel and housing supplies and which are not dependent on railroad transportation.

(5) If that time comes, or when the danger is fully evident, it will be too late to prepare for it. You cannot take out fire insurance on your house when it is burning! Yet, today there are several ways to prepare yourself and family both against communistic uprisings from within and Russian bombs from without.

Both of these factors would dangerously affect industry in and around many large cities. The first "hedge" would be to migrate with your families to some small interior city in the Central Area

of the United States. If you don't care to take so definite a step now you can at least now make a start by re-arranging your investments. In the light of this situation there are three classifications of investments to be considered. These are **Safest Investments, Bomb Targets and Semi-Protected Investments.**

**Safest Investments** should include those companies whose assets or sources of materials are decentralized, or underground or indestructible. Among these are certain **Land, Chemical and Mining** companies most of whose assets are well scattered, well buried or obtained from the sea. Also, companies processing or packing food products whose assets are in or near **Agricultural Areas.** Some **Lumber and Sea Food** companies should be included in this group.

**Bomb Targets** should include most heavy industries such as **Steels, Locomotives, Automobiles and Machinery.** Other companies whose principal income is derived from **Food Distribution** in large cities would be vulnerable. **Utilities**, including transportation, gas and electricity, **Electrical Equipment Manufacturers**, large **Department Stores, Drug Companies and Restaurant Chains** would all be open to attack.

**Semi-Protected Investments** are those based upon somewhat scattered assets with at least the greater portion in "safe" areas. I have in mind such industries as the **Container Companies, certain Meat Packing Companies, Oil Companies, Chain Store Systems, Communication Companies**, and finally **Publishing Companies** whose good will and reputation are in the same category as trademarks and cannot be "bombed" out.

### Conclusion

When I am in New York City with my banking friends, I am inclined to be bullish. When in manufacturing centers with those plagued by severe labor troubles, I become bearish. When, however, I am out here at the very center of the U. S., viewing our great virgin areas of grain, forests, minerals and happy people, I am neither bearish nor bullish. I, however, do advise my readers now to get and keep out of debt. Hope for the best, but prepare for the worst.